



U.S. Department of State

FY 2000 Country Commercial Guide: Taiwan

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CHAPTER I: EXECUTIVE SUMMARY

This Commercial Guide (CG) presents a comprehensive look at Taiwan's commercial environment using economic, political and market analyses. The CGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies. The Taiwan Commercial Guide is prepared by the American Institute in Taiwan.

Over the past fifty years, hard work and sound economic management have built Taiwan into an economic powerhouse with the world's third largest foreign exchange reserves and over \$220 billion in two-way trade. The economy is expanding at 5% with full employment and negligible inflation. Its 22 million people enjoy a per capita Gross Domestic Product of almost \$13,000. As Taiwan has prospered, the formerly authoritarian system has evolved into a democracy. Opposition by the People's Republic of China (PRC) to any recognition of Taiwan as a separate political entity has limited Taiwan's official diplomatic activity for years. But Taiwan has broad unofficial relationships with most of the world's major economies, including the U.S.

Taiwan's \$110 billion of imports in 1998 reflects its lack of resources. It imports nearly all of its energy, most raw materials and a diversity of manufactured and agricultural goods. It is the fifth largest importer of U.S. agricultural products. Its educated work force, advanced infrastructure, strategic location and generally pro-business attitudes make Taiwan an excellent -- if no longer low-cost -- place to invest.

A significant portion of Taiwan's economy is still publicly held, but the inexorable movement towards liberalization is clear. Taiwan authorities continue to reduce tariffs and non-tariff barriers as part of Taiwan's anticipated accession to the World Trade Organization; restrictions on financial institutions are gradually being lifted; several public firms have been privatized; and private sector competition is being introduced in telecommunications, power generation, and oil refining and distribution.

Taiwan has a unique political history. In 1945, Taiwan was restored to Chinese rule after 50 years as a Japanese colony. In 1949, Chiang Kai-shek's Nationalist army retreated to Taiwan after being defeated by Mao Zedong's Communist forces in a Chinese civil war. Until the mid-1980s the Nationalist (KMT) party maintained a single-party rule. Beginning in the mid-1980's and accelerating in the first half of the nineties, however, the political system has been transformed into a flourishing democracy. In late 1994, an opposition member was elected Taipei Mayor; in March 1996 Taiwan's first direct presidential elections were held; and the opposition Democratic Progressive Party (DPP) captured over half of the mayor and county magistrate positions in December 1997. The KMT has since regained the Taipei mayor's seat and a comfortable majority in the LY. The press is free, though at times unreliable, and political debate is unconstrained and vigorous.

Democratization has changed Taiwan's business climate. Officials used to the old, authoritarian ways find their actions scrutinized by an active press and an aggressive legislature. This scrutiny leads to delays and reversals. Power, formerly concentrated in the KMT and the institutions it controlled, is now diffused. Accomplishing anything requires talking to many different parties, building coalitions and compromising. Taiwan's legal infrastructure

has also been changing, although many complain of unrealistic wording in regulations and inconsistent enforcement.

Taiwan's relationship with the PRC remains problematic. Both have long asserted there is one China. Taiwan authorities seek recognition as one of what they claim are two "sovereign" political entities, each governing part of China, while the PRC regards itself as the sole legal government of all of China and Taiwan a subordinate entity. This fundamental disagreement sharpened in the wake of Taiwan President Lee Teng-hui's unofficial 1995 visit to the U.S., as Beijing cut off a promising cross-strait dialogue. The relationship further worsened prior to Taiwan's March 1996 presidential election as the PRC attempted to influence the election's outcome with strong rhetoric, military exercises and missile tests close to Taiwan. Although since the 1996 elections tensions had eased, in July 1999 President Lee stated that relations between the PRC and Taiwan should be conducted on a "special state-to-state" basis. The PRC was infuriated by this statement, and it remains to be seen what the effect the statement will have on the political and economic relationship between the PRC and Taiwan.

Notwithstanding these political problems, commercial ties between the two sides have grown steadily since the late 1980s. Taiwan is a major investor in the Mainland, and the PRC is Taiwan's largest export market after the U.S. Taiwan wants to establish itself as a regional operations center for third-country businesses aiming at regional markets. Taiwan is also an important regional trading and investment partner. However, Taiwan continues to prohibit direct trade, shipping and air links with the PRC.

Taiwan is an excellent market for U.S. firms. Taiwanese are receptive to foreign products and have money. U.S. exports to Taiwan range from steam boilers to soybeans. U.S. investors range from giants to individuals. Competition is fierce, with Japanese firms well-entrenched and Europeans capturing market share. Nonetheless, Taiwanese generally have feelings of goodwill toward the U.S. and favorable images of U.S. products. U.S. firms with good products at competitive prices will find Taiwan a rewarding market.

**Country Commercial Guides and the Taiwan Commercial Guide are available for U.S. Exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides and the Taiwan Commercial Guide can be accessed via the World Wide Web at www.stat-usa.gov, www.state.gov, and www.mac.doc.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country- or area-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202) 482-4473.

CHAPTER II: ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

Taiwan has maintained relatively good economic fundamentals over the past five years, despite having to absorb a series of external shocks. Tensions increased with the PRC from July 1995 to March 1996, culminating with PRC missile testing near Taiwan which unsettled Taiwan's financial markets. An outbreak of swine foot-and-mouth disease (FMD) which began in 1996 severely damaged Taiwan's pork export industry. And the financial crisis that has buffeted Southeast and Northeast Asia since mid-1997 took its toll on the

island's economy, leading to a nine-percent drop in 1998 exports and financial difficulties at a dozen of listed companies and as well as a few small banks.

Nevertheless, Taiwan's economy has continued to grow, although the growth rate did decline from 6.8 percent in 1997 to 4.8 percent in 1998. A substantial improvement in export performance in the first quarter of 1999 has allowed domestic think tanks to revise upward projections for growth in Taiwan's economy in 1999 to five percent. The economic recovery of Southeast and Northeast Asian nations will be one main force behind the expansion of Taiwan's export shipments while it is hoped that liberalization of the telecommunications sector, together with a booming stock market, will sustain a substantial growth in private consumption. However, a delay in major public construction projects, including the high-speed railway, may be a drag on growth prospects this year. In 1999, Taiwan is once again enjoying net portfolio capital inflows, resulting in the continued increase in Taiwan's very large foreign exchange reserves. With healthy economic fundamentals, Taiwan's currency is expected to remain stable and perhaps even gain strength over the near term. Prices are expected to remain stable unless summer typhoons disrupt produce supplies or an unexpected external factor should drive up key international commodity prices. Full employment will prevail, with the rate of unemployment remaining below three percent.

Principal Growth Sectors

Momentum for Taiwan's economic growth in the past two years has come largely from the expansion of domestic demand, especially in the private sector. While exports leveled off in 1997 and subsequently dropped 9.4 percent in 1998, both private consumption and private investment have grown substantially. Thus the private sector's share of GDP increased from 71.9 percent in 1996 to nearly 75 percent in 1998. It is expected to reach an estimated 76 percent in 1999. The GDP share for exports net of imports declined from 3.8 percent in 1996 to 2.0 percent in each of 1998 and 1999.

On the supply side, economic liberalization has sustained fast growth of the service sector over the past two decades. Services, which accounted for 55 percent of GDP in the early 1990s, reached 62 percent in 1997 and 63 percent in 1998. The banking, insurance, and securities sectors have been opened to private investment in the past ten years. A futures exchange was inaugurated in July 1998, and more recently, the authorities started to issue licenses for private firms to operate paging and cellular phone services. Moreover, the authorities are scheduled to permit private companies to run local, long-distance and international phone services in the near future. New financial services, such as automatic teller machines and credit cards, have become common, while new financial derivative products have been introduced as well. Kaohsiung, in south Taiwan, is the world's third largest container port and a key center for US shipping companies. As for air cargo, two U. S. companies have located their Asian regional hubs in Taiwan.

The island has been making progress in realizing its ambition -- first expressed a decade ago -- to transform itself from an export platform into a high-tech production center. Taiwan exports of high-tech and capital-intensive goods exceeded exports of labor-intensive goods for the first time in 1993. They surpassed the 60-percent-of-total-exports mark in 1996, held a 64 percent share in 1998, and rose to 67 percent in early 1999.

The PRC has absorbed over 40 percent of Taiwan's overseas investment, and this investment has led Taiwan's exports to the PRC to rise to the 20-25

percent of total exports. Following a marked increase in cross-strait tension during 1995 and 1996, the Taiwan authorities have adopted a policy of encouraging investors to limit exposure to the mainland. This policy has contributed to a 50 percent drop in Taiwan's investment in the PRC in 1998 and another decline of seven percent in early 1999, although full first-quarter 1999 figures show an increase of 6.5% over the depressed figures of the previous year's first quarter. This policy, together with the impact of the 1997-1998 financial crisis in East Asia, resulted in a decline of 13 percent in exports to Hong Kong in 1998 and a decrease of another two percent in the first quarter of 1999, when Taiwan's overall exports grew 3.5 percent. (Exports to Hong Kong are mainly for transshipment to the PRC.) During the same period, the United States has remained Taiwan's largest trading partner, largest export market and the second largest supplier of Taiwan's imports.

While Taiwan's industrial sector has shrunk in relative terms, capital- and technology-intensive industries have expanded dramatically. These industries accounted for 71 percent of total manufacturing in 1997, and the share increased to 72 percent in 1998 and 73 percent in March 1999. During this structural transition, labor-intensive industries, such as toys, footwear, umbrellas, and garments, have relocated offshore. They have been replaced by electronic, electrical, machinery, metal and petrochemical products makers, all of which expanded greatly in the 1990s. In the early 1990s, technology-oriented industries, including electronic and information industry companies quickly became the backbone of Taiwan's manufacturing sector. Nine of the top ten exporting firms in 1998 were electronic and computer manufacturing companies, compared to only two five years ago. Taiwan is now the world's leading supplier of motherboards, monitors, mice, interfaces, network cards, and graphic cards. Taiwan ranked second in the market share of notebook computers in 1998 and is expected to replace Japan as the number one share holder in 1999. Taiwan is the world's largest semiconductor OEM supplier.

Taiwan felt the effects of the Asian financial crisis in 1998 as stock prices declined, the NT dollar depreciated and exports dropped 9.4 percent. In addition, some business firms, including a dozen listed on the stock market, two finance companies and two commercial banks ran into financial difficulty in the last quarter of 1998. The authorities responded with a series of measures designed to shore up these institutions. They brokered the rescheduling of loan repayments, offered low-interest loans to stimulate the real estate industry, reduced bank reserve requirements, and lowered bank taxes. These measures, in conjunction with a recovery in Taiwan's exports in the first quarter of 1999, were enough to stabilize the financial markets and initiate an upswing in the economy. As rising exports and the authorities incentive packages reestablished investor confidence, foreign portfolio investors increased their holdings in Taiwan, stock prices rose and Taiwan's foreign exchange reserves grew to \$95 billion, the third highest in the world.

Over the past year Taiwan has made great progress towards its accession to the World Trade Organization (WTO). It has concluded bilateral consultations with all of the 26 economies requesting such talks with Taiwan, and by April 1999 Taiwan has signed agreements with 24 of the 26 economies. Of 40 local bills implementing commitments related to Taiwan's accession to WTO submitted to the Legislative Yuan, 34 have already passed.

Public Role in the Economy

Taiwan has been reducing the public sector's role in the economy in an effort to reduce the central authorities' budget deficit. As exports to East Asia

dropped drastically in 1998 due to a decline in purchasing power, Taiwan's authorities adopted a policy to stimulate domestic demand. A number of big construction projects (including a north-south high-speed railway and a large-scale public housing program) have been consigned to private firms to execute on a build-operate-transfer basis. A government re-engineering program is also under way. Under the program, several ministerial agencies will be merged or phased out while the scale and functions of the Taiwan Provincial Government have been cut.

Privatization has gained momentum over the past two years as well. Equity shares in a number of state-owned enterprises (including three large provincial banks) have been listed on the stock exchange and sold to private investors. The three largest state-owned firms (i.e., Chinese Petroleum Corp., Chunghwa Telecom Corp. and Taiwan Power Corp.) will be privatized in three to five years.

The Taiwan authorities' efforts to reduce the size of the public sector over the past six years have substantially cut the central budget deficit, which dropped from 32 percent of total central spending in FY1992 (ending June 1992) to 15 percent in FY1997. The central budget for FY1998 posted the first surplus of NT\$119 billion in eight years. However, with lower than anticipated revenues in FY 99, the absorption of provincial debt along with additional spending for the economic stimulus program, the central budget is expected to be in deficit again in FY 2000.

Taiwan's chronic budget deficit, while declining, has inflated outstanding public debt from six percent of GNP in FY1991 to 16 percent in FY1998. Its share may further increase to 25 percent in FY1999. As a result, debt service payments climbed from 6.5 percent of total expenditures in FY1991 to 15 percent in FY1999. It is expected to rise to 19 percent in FY2000. National defense continues to account for the lion's share of the central budget, although national defense expenditures as a percentage of total central budget expenditures have dropped from over forty percent four decades ago to twenty percent in FY1999. The Taiwan authorities' armed forces reduction efforts could further cut the share down to 15 percent in FY2000, lower than social welfare, debt service payments and the 16 percent allocated for "education, science and culture".

Balance of Payments

Taiwan achieved a \$4.8 billion balance of payments (BOP) surplus in 1998, which contributed to a 7.8 percent increase in its international reserves to \$95.1 billion. Taiwan's foreign exchange reserves (i.e., international reserves minus five percent in gold holdings), amounted to \$90.3 billion, the third largest in the world after Japan and the PRC. Key factors contributing to Taiwan's 1998 BOP surplus included a marked increase in foreign portfolio inflows, particularly in the fourth quarter, and the decision of Taiwan businesses to shift overseas assets back to Taiwan to ease their credit crunch problems. Another factor was Taiwan's ability to post another current account surplus in 1998, even though it was undercut by declines in exports. The Taiwan BOP picture is expected to continue to improve in 1999 as exports to Southeast Asia recover and foreign portfolio investment continues to flow in.

Quality of Infrastructure

Taiwan has an extensive and well developed infrastructure system. Two international airports are located at the north and south ends of the island.

Fourteen domestic airports connect major cities and key offshore islets. Five international harbors facilitate import and export trade. Toll highways and a round-the-island railway form an extensive inland transport network, including a north-south freeway. The average family has more than one telephone. Pagers, cellular phones, fax machines and personal computers are common for business firms. Virtually every family has access to electricity and household tap water, except in remote mountainous areas.

In the past, traffic congestion, delays in domestic flights, long-waiting times for entry into Taiwan's harbors and tight power supplies were common. Taiwan has stepped up infrastructure construction in response. Several sections of the second north-south freeway have already been opened to traffic. Two business groups have been contracted to build a north-south bullet railway and a rapid mass-transit system between CKS Airport and Taipei City. Privatization of harbor operations in January of 1998 have virtually eliminated the waiting time for entry into Kaohsiung Harbor, the third largest container port in the world. Eight private firms have been authorized to build power plants and the first one went into operation in May 1999. Another three will start supplying power in 2000 and 2001. As a result, the reserve capacity of the power grid is expected to increase from 5.6 percent in 1996 to nine percent in early 1999 and 15-20 percent in 2000.

CHAPTER III: POLITICAL ENVIRONMENT

Over the past decade, Taiwan has made the transition from a single-party, authoritarian polity to a democratic, multi-party political system. Martial law, which had been in force since the 1940's, was lifted in 1987. Taiwan's first democratically-elected legislature was chosen in December 1992. The democratization process continued with the first direct elections of the Mayors of Taiwan's two largest cities (Taipei and Kaohsiung) and the Governor of Taiwan Province in December 1994. Those officials were previously appointed by the central authorities. After the second fully-democratic election for the national legislature was held in December 1995, Taiwan completed its democratization by holding the first direct election of its President in March 1996. Taiwan's constitutional system divides the government into five branches or Yuans. The five branches are the Executive Yuan, the Legislative Yuan, the Judicial Yuan, the Control Yuan and the Examination Yuan. At the top of this structure is the President.

The Kuomintang (KMT, or Nationalist Party), which ran the previous authoritarian government on Taiwan, still holds most of the key political posts on the island. The KMT won 124 of 225 seats in the Legislative Yuan (LY) elections held in December 1998. Currently the President is also the Chairman of the KMT and appoints the heads of the Yuans, including the head of the Executive Yuan, the Premier.

On the controversial issue of cross-strait policy, the KMT maintains that reunification with mainland China can only be considered after the latter achieves a democratic government and an appropriate level of economic prosperity. In the meantime, the authorities assert that since the "Republic of China" is a "sovereign, independent country" there is no need to formally declare independence (an act which the People's Republic of China -PRC- has threatened to resist by force, if necessary). Although since the 1996 elections tensions had eased, in July 1999 President Lee stated that relations between the PRC and Taiwan should be conducted on a "special state-to-state" basis. The PRC was infuriated by this statement, and it remains to

be seen what the effect the statement will have on the political and economic relationship between the PRC and Taiwan.

The main opposition party is the Democratic Progressive Party (DPP). Since its founding, the Party's most salient policy difference with the KMT has been the issue of Taiwan independence. However, as the DPP has matured and gained a more significant role in Taiwan politics -- including at the County Magistrate and City Mayor level, where it holds more than half the seats and in the LY, where it holds 70 of the 225 seats -- it has modified its stance on Taiwan independence. While some members of the party want the people to decide Taiwan's status through a plebiscite to be held at an unspecified time in the future, the majority effectively agree with the KMT that the "Republic of China" is already independent, making a formal declaration of independence unnecessary. The DPP has also staked out generally populist positions of concern for the environment and for working people.

On Taiwan, the KMT was historically associated with ethnic mainlanders (i.e., people who fled to Taiwan with the KMT in 1949 and the descendants of those people). The DPP has sought to identify itself with the ethnic Taiwanese (Chinese who immigrated to Taiwan during the past 300 years, mostly from Fujian Province). As the democratization process proceeded, the ethnic-Taiwanese role expanded. Today, a majority of the officials and members in the KMT, including the President, are ethnic Taiwanese. Partly as a reaction to the Taiwanization of the KMT, a new opposition party broke off from the KMT in 1993. The Chinese New Party (CNP) is dominated by second-generation "mainlanders" who have grown up in Taiwan, but who favor eventual reunification with a democratic mainland. The party won 21 seats in the 1995 LY elections, but took only 11 seats in the 1998 LY elections. Although ethnic differences are still significant politically, their importance is declining as younger generations pay less attention to the issue.

The defining characteristic of Taiwan's international relationships is the lack of diplomatic ties with most nations of the world. The authorities on Taiwan call their administration the "Republic of China," and for many years claimed to be the legitimate government of all China. The PRC, however, considers Taiwan to be a renegade province with no right to play an independent role in world affairs. The PRC will not maintain diplomatic relations with countries which also have official ties to Taiwan. Most countries have, therefore, chosen to establish diplomatic relations with the PRC. As of July 1, 1999 twenty-eight countries maintained diplomatic relations with Taiwan. The PRC was admitted to the United Nations and most related organizations in 1971, forcing out Taiwan. The U.S. switched diplomatic recognition to the PRC in 1979.

Several years ago the Taiwan authorities changed policies and now no longer insist that they are the sole legitimate rulers of all of China. While still admitting that Taiwan is part of China, they now seek recognition as one of two "legitimate political entities" in China (the other being the PRC). Under this policy, the Taiwan authorities are seeking to join various international organizations, including the United Nations, but have encountered stiff PRC opposition. Taiwan has been able to join the Asia-Pacific Economic Cooperation (APEC) dialogue as an "economy" and is applying to join the World Trade Organization (WTO) as a "customs territory."

Although the United States does not have diplomatic relations with Taiwan, the U.S.-Taiwan relationship is generally excellent. The American Institute in Taiwan (AIT), a private, non-profit institution, was established in 1979 to maintain the unofficial relations between the peoples of the United States

and Taiwan. More than forty other countries, including most major European and Asian nations, also maintain unofficial representation.

CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES

Taiwan is the U.S.' seventh largest export market. U.S. goods enjoy a reputation for quality on the island. This is coupled however, with a reputation for high-cost and, sometimes, poor service from U.S. vendors. Nearly every type of sales channel exists on Taiwan. U.S. goods reach end-users through agents, distributors, franchisees, direct marketing, mail order and almost any other imaginable means. Distribution policy varies depending on the type of product and the end-user of the product, but all distribution channels are changing rapidly under the pressures of new demands from sophisticated Taiwan consumers, intensified competition from foreign and domestic rivals and the introduction of new information technologies to the distribution chain.

Marketing products is too complex a subject to be covered in such a brief space, so the comments made here are of necessity very general. Taiwan end-users tend to make purchasing decisions based primarily on price -- although ironically a higher price may be more attractive to the Taiwan buyer of certain kinds of consumer goods. A strong local presence, with a wholly-owned subsidiary, branch office, joint venture or agent/distributor, is another key to success in the market.

Taiwan is a land of small businesses and traders who import from all over the world. The strength of Taiwan's economy is not in its few large firms -- although Taiwan has grown a handful of firms whose presence is beginning to be felt in world markets -- but in its multitudinous small and medium sized firms. There are over one million registered businesses on Taiwan. The island has 100,000 legal factories and probably another 200,000 illegal factories. To sell to these firms, a U.S. firm must find a local partner. Although it may be possible to supply a few types of highly specialized products directly from the U.S., most U.S. firms will find it necessary to have some kind of local presence to market and service their products.

Distribution and Sales Channels

The most common distribution route in Taiwan moves products from suppliers to distributors, from distributors to retailers, and then from retailers to consumers. Some suppliers use shorter distribution channels, distributing products directly through retailers only or, for companies such as Avon and Nu Skin, selling products directly to the consumer. Foreign firms, especially small and medium sized companies, generally rely on agents to sell their merchandise to distributors. However, for certain products, such as apparel, the distribution channels tend to be more complex.

Most foreign firms enter the market through a Taiwan agent. Taiwan firms prefer the partnering aspect of an agency relationship. Although some firms are willing to act only as distributors, there is a fear that firms seeking distributors are not serious about the market and will not support their distributor. Firms selling equipment or machinery frequently find it necessary to find a partner willing and able to do some assembly or manufacturing in Taiwan. Although not necessarily a formal joint venture, these efforts require a higher degree of commitment to the marketplace. If the size of the market warrants, firms may wish to consider setting up a branch office or subsidiary in Taiwan. Taiwan welcomes foreign investments

and establishing an office in Taiwan is relatively easy, if sometimes bureaucratic.

There are many ways to find an appropriate agent or distributor in Taiwan. The Commerce Department's Agent/Distributor Service (ADS) program offers U.S. firms a cheap and easy way to identify potential partners. The Taipei Importers and Exporters Association has over 100,000 members and is well equipped to help foreign exporters find an agent from among its members. Most Taiwan industry associations publish lists of their members. The China External Trade Organization (CETRA) has four offices in the United States and these offices contain a wealth of information on Taiwan. A listing of CETRA's U.S. Offices is included at the end of this section.

Pricing Structures in Taiwan

Product brand is an important determinant of price policy. Generally speaking, price margins at the distributor level for international brands are lower than for local or regional brands. Distributor price margins range on average between 10 percent and 30 percent, depending on which party maintains responsibility for over marketing. In addition, price breaks and discounts for quantity purchases are frequently offered.

Taiwan importers and distributors widely use modern retail stores for distributing foreign-made consumer goods, such as food/grocery products, apparel, furniture, home furnishings, house wares, electrical appliances, stationary and toys. It is estimated that over 90 percent of imported consumer goods are sold through the four types of modern retail institutions with different price margins:

Department Stores: average 15-35 percent margin
Warehouse Stores: average 15 percent margin
Convenience Stores: average 30-40 percent margin
Supermarkets: average 20-25 percent margin

Establishing an Office

Establishing a subsidiary or representative office is not considered particularly burdensome. However, there are a number of different corporate structures to decide upon and an array of forms and procedures to complete. In addition, a Chinese name is required. Consultations with reputable local attorneys or accountants are highly recommended to properly consider the issues relevant to each business and complete all necessary steps required to become established in Taiwan.

Selling Factors/Techniques

The most important consideration for most Taiwan buyers is initial price. The most common complaint against U.S. goods is that their price is too high. Taiwan businesspeople are notoriously short-term oriented and U.S. firms are frequently frustrated by the fact that most Taiwan firms do not consider the life-cycle cost of a product when making a purchase. Although attitudes are slowly changing, most Taiwan firms will only pay a higher price for a product if they see an immediate payoff in reduced costs. It is difficult to sell a product that is more expensive now, but which will be cheaper over two years -- increase the payback time to four or five years and the sale becomes almost impossible. After price, the next most important considerations are quality of the goods and after-sales service.

Advertising and Trade Promotion

Taiwan businesspeople are active participants in the global marketplace. They read trade journals from the U.S., Europe and Japan, participate in the major international trade events and are well aware of current trends in their industry. There are local trade shows for most major industries and CETRA is the co-organizer of many of these shows (usually in conjunction with the relevant industry association). A local partner can give the best advice on where and how to advertise, but participation in the major trade shows and advertisement in the relevant Taiwan trade journals and industry newspapers are important.

Information on shows can be obtained from CETRA. The CETRA World Wide Web address is <http://tradepoint.anjes.com.tw/> and Taiwan offers several lists, including a frequently updated calendar for international conferences and trade exhibition held at the Taipei World Trade Center. The WWW address for the calendar is appended to the address: <http://~/events/index.htm/>

U.S. companies that do not have representatives or agents in Taiwan should target professional journals and magazines. The following are some of Taiwan's major industry newspapers and business publications:

Commercial Times (Daily Newspaper)
Mr. Chang Huei Lin, Deputy Manager
Business Service Department
2F, 68 Ying Peng N. Rd., Taipei
Tel: 886-2-2382-1598, 2381-3199 ext. 2211
Fax: 886-2-2382-1258

Economic Daily News (Daily Newspaper)
Mr. T.C. Tsio, Deputy Director
Business Services Department
1F, 555 Chunghsiao E. Rd., Sec. 4, Taipei
Tel: 886-2-2768-1234 ext. 2515
Fax: 886-2-2763-4124

Business Weekly (Weekly Magazine)
Ms. Sandra Chang, Deputy Manager
Advertisement Department
5F, 62 Tunhwa N. Rd., Taipei
Tel: 886-2-2773-6611 ext. 260
Fax: 886-2-2711-0656

Commonwealth (Monthly Magazine)
Ms. C.Z. Wei, Vice President
Advertisement Department
4F, 87 Sungkiang Rd., Taipei
Tel: 886-2-2507-8627 ext. 326
Fax: 886-2-2507-8045

Breakthrough (Monthly Magazine)
Ms. Ying Chang, Manager
Advertisement Department
9F, 156, Fu Hsin N. Road, Taipei
Tel: 886-2-2715-0471 ext. 22
Fax: 886-2-2713-5701

Directory of Taiwan (Annual soft cover book)

Published by The China News (a general circulation newspaper)
10F, 41, Tung Hsing Road, Taipei
Tel: 886-2-2768-6002
Fax: 886-2-2768-6773

Taiwan's advertising sector is comparable to other developed economies and covers a wide range of media. There are some restrictions to advertising, especially the limitation of alcohol and tobacco commercials on television. Major international advertising firms doing business in Taiwan are listed as follows:

Leo Burnett Co. Ltd.
9th F., 207 Tun Hwa S. Rd., Sec. 2, Taipei
Tel: 886-2-2732-1211
Fax: 886-2-2732-8810

Lintas Taiwan Advertising Agency
Rm. 501, 5F., 136 Jen-ai Rd., Sec. 3, Taipei
Tel: 886-2-2701-5299
Fax: 886-2-2708-1719

DDB Needham Worldwide Inc.
6F., 15-1 Hangchou S. Rd., Sec. 1, Taipei
Tel: 886-2-2395-1995
Fax: 886-2-2395-1998

Backer Spielvogel Bates Ltd.
6F., 120 Chienkuo N. Rd., Sec. 2, Taipei
Tel: 886-2-2505-5305
Fax: 886-2-2505-53332

Dentsu, Young & Rubicam C., Ltd.
17F., 207 Tun Hwa S. Rd., Taipei
Tel: 886-2-2378-8938
Fax: 886-2-2378-8949

Essential Tips for Entering the Consumer Goods Market

Taiwan is well-known as an industrial dynamo that has been racking up export successes for over twenty years. What is less well known is the fact that this dynamo has produced a domestic consumer market that is now booming. As noted above, all of the trends in Taiwan point toward a growing, but fragmenting consumer market. While the specifics of Taiwan's consumer market are unique, the basics are the same as anywhere, that is to find out what consumers want (or create a product they will want when they see it), determine what they are willing to pay for it, and research the most efficient means of getting it to them. U.S. firms wanting to enter the market will find a fairly sophisticated network of support firms who can help them carry out these tasks.

As in the industrial sector, finding a good local partner -- be it an agent, distributor, licensee or joint-venture partner -- is essential. Partners will frequently give guidance on marketing channels, the number of which is bewildering. Consumer distribution in Taiwan is dominated by a vast number of small, independent retailers who are served by a network of wholesalers. As the Taiwan market becomes more attractive to investors and consumers become more sophisticated, however, this simple system is breaking down.

Larger chains with greater economies of scale are some of the new players changing the face of Taiwan's retail market.

Major Types of Modern Retail Stores

Modern retail stores such as department stores, warehouse markets, supermarkets and convenience stores, have played increasingly important roles while other types of traditional retail outlets, such as mom-and-pop stores and PXs, are becoming less important as consumer patterns change. In 1997 over US\$10.1 billion or 14.4 percent of all consumer goods were sold through modern retail stores. This proportion is expected to increase significantly as many of the over 30 planned shopping malls are developed and new modern retail types, such as category killers and big-box retailers, are introduced to the market.

Department Stores: There are about 50 department stores located throughout Taiwan but concentrated in the large cities. Most of these department stores are run on a Japanese model, i.e., the bulk of the floor space is rented out to concessionaires who pay rent and a fixed percentage -- about 20 percent or so -- of either their gross or net income. Such arrangements help department stores avoid risk and enable replacement of concessionaires recording poor sales. Concessionaires are responsible for decorating and staffing their sales areas. Although the department stores do purchase some merchandise on their own account, most of their sales are through the concessionaires. To compete against the lower priced bulk quantity selections available in warehouse stores, Taiwan department stores carry high-quality, upscale and expensive merchandise. This trend should continue. The introduction of computerized systems to track sales should help department stores in buying and inventory control to alleviate problems associated with the lack of merchandise selection. Because Taiwan consumers are very aware of customer service and atmosphere when shopping, department stores will continue to focus on distinguishing themselves through special design, decor, fashion shows, art exhibitions, VIP cards, in-store child care and food courts to attract their target market.

Specialty Chain Stores: A relatively new phenomenon in Taiwan is the specialty chain store. U.S. based chains such as Pearle Vision Center and Toys 'R Us have set up outlets in Taiwan, as have firms from other foreign countries, such as Aoyama Suits and Joshin of Japan. These chain stores combine the advantages of central purchasing (nearly all operate their own central warehouses) with product specialization and are gaining market share rapidly.

Warehouse stores and Supermarkets: In addition to department stores and specialty chain stores, warehouse stores are proliferating in Taiwan. The largest warehouse store chain on the island is Carrefour, with 22 stores. U.S. warehouse store chains such as Price Costco have also recently entered the market. It is estimated that about 40 additional warehouse stores will be opened in the next three to five years. The current supermarket leader is Hong Kong-based Wellcome. Despite recent slow sales growth, market leaders are opening new supermarkets in areas where no warehouse stores are located. As a whole, warehouse stores are larger stores carrying a diversified range of products at cut-rate prices. While supermarkets carry a small range of non-food products, warehouse stores carry a much broader range of casual clothing, household consumer goods, automotive accessories and other products in addition to products normally purchased in a U.S. supermarket.

Convenience Stores: Now over 5,000 strong islandwide, convenience stores, which offer food products and toiletries 24 hours a day, are major outlets for consumer food items, such as snack foods, beverages and juices. 7-Eleven Convenience Stores, the market leader, has a total of 2,000 stores and plans to reach 4,000 in the next ten years.

Shopping Mall Development Projects: Over the next several years, local developers plan to build 20-30 shopping malls throughout the island, provided that investors can be identified. At present, three shopping malls, including TaiMall, Core Pacific and International Finance Center, are under construction. TaiMall will begin operations in July 1999 to become the island's first composite commercial zone shopping mall. The other two are expected to open in early 2000. Five shopping malls -- including Mall of Taiwan, Metro Walk, Breeze Shopping Center, Taiwan Sugar's Jenteh Shopping Center and Kaohsiung's Zanadu Shopping Mall -- have already broken ground and will start building construction in the foreseeable future. Great World Shopping Center and Mall of Asia will be built in 1999. Core Pacific Group and Taiwan Sugar Corp. will build two more shopping malls on the island. Other local major conglomerates such as President and Far Eastern also plan to actively invest in Taiwan's first wave of large-scale shopping mall projects. The establishment of shopping malls will provide a promising new venue for department stores and specialty chain stores seeking to branch out.

Additional Sale Routes

Franchising: A variety of franchise arrangements exist on the island, ranging from equally shared joint venture partnerships to the Pizza Hut model where stores are managed and operated by a "master franchise" or a regionally based conglomerate. As Taiwan lacks a strong legal basis for on franchise operations, it is crucial that contractual arrangements entered into by U.S. companies stipulate adherence to corporate policy. To gain a foothold in the market and ensure successful performance, franchises must stress management, personnel training, customer service and consistency in product quality, and seek guarantees for reliable distribution channels. Vital to the successful operation of a franchise in Taiwan is identifying a reliable intermediary capable of enhancing and reinforcing technology transfer. In recent years franchise operations have shifted from fast food restaurants such as McDonalds, Kentucky Fried Chicken, TGIF, Pizza Hut, and Burger King to non-food store services such as Cosmed, Tower Records, JaniKing and Midas. As the establishment of shopping malls takes off greater opportunities for franchise operations will abound.

Direct Marketing: The direct marketing channel is developing in Taiwan. "Multi-level sales" is becoming more popular as a second job to supplement household income. Recent figures indicate that there are approximately 2.7 million people working for the 700 "multi-level sales" businesses in Taiwan which specialize primarily in nutrition and health foods, cosmetics and skin care products and household cleaning items. Firms such as Avon, Amway, Nu Skin and Tupperware have taken advantage of the sales skills of ambitious, well-educated Taiwan women to become very successful. Direct marketing techniques such as mail order and Internet marketing are expanding rapidly.

In contrast to the industrial/commercial market, Taiwan consumers in many cases prefer to pay more for goods they purchase. Conspicuous consumption is rampant in Taiwan society and consumers are eager to pay top-dollar for the right brand of watch, car, cognac or necktie. While consumers are willing to pay more for perceived value, price competition in the marketplace can be brutal. Firms that charge too much for their products in Taiwan can expect

to find parallel importers undercutting their efforts. Consumers are extremely brand-conscious, but they are willing to shop around to find the lowest price on their favorite brand. Moreover, when brand is not important, consumers buy on price.

Selling to the Authorities

Selling to the Taiwan authorities deserves a special mention as there are both excellent opportunities and major obstacles for U.S. firms interested in Taiwan public procurement. Many large, technically complex tenders are let by the Central Trust of China (CTC), a quasi-state organization that has procurement and other responsibilities. Agencies that need to purchase equipment inform CTC of their requirements. CTC announces and administers the tender procedures, with technical evaluations performed by the purchasing entity or its surrogates (such as outside consulting firms). CTC tenders may be local (limited to firms with a Taiwan office) or international (also open to firms outside of Taiwan), but both kinds of tenders are generally conducted fairly and openly. U.S. firms have a well-established record of success in winning CTC-administered tenders.

While CTC handles a large portion of Taiwan authority purchases of advanced equipment, the bulk of Taiwan authority purchases are administered by the purchasing entities themselves. Nearly all of these tenders are open only to firms with a local presence, and it can be difficult for outsiders to obtain advance information on such tenders. CTC itself estimates that they procure less than 10 percent of the authorities total procurement. In addition to the authorities' extensive infrastructural spending, important portions of the economy are still in the hands of authority owned entities -- significant parts of the energy industry, telecommunications, and the production of liquor and tobacco products are authority monopolies or near monopolies.

U.S. firms have scored some major successes in public procurement, but U.S. companies also have serious complaints about the system. The contracting entities tend to wield excessive power over the contractor: exorbitant potential liabilities, cumbersome change order procedures, expensive bonding requirements are common. Contracting entities tend to view contractors as adversaries, which can make normal business dealings strained. Taiwan bureaucrats tend to believe that the penalty for making no decision is always less than the penalty for making the wrong decision and this attitude can result in frustrating delays or unreasonable demands on the contractor as bureaucrats seek to take the safest course of action. Conflict of interest laws in Taiwan are not as fully developed as those in the United States. Firms employing relatives of existing officials and/or retired officials have an inside track on Taiwan authority contracts. Taiwan's new Government Procurement Law (GPL) went into effect on May 27, 1999. It is hoped the GPL will do much to significantly improve the transparency and fairness of procurements by the authorities. However, until Taiwan joins the WTO, individual procuring entities are permitted under the GPL to treat foreign firms outside the GPL. Because the law is so new, we do not yet know how it will play out.

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Protecting Your Product from IPR Infringement

While Taiwanese companies are well-known for their ability to quickly incorporate ideas found in competing products, Taiwan's copyright, patent, trademark, trade secret and integrated circuits laws already meet most international standards. There is general respect for those laws, and major local and international distributors who are notified they are selling counterfeit goods will typically cooperate with the rights holder and cease sales. Market monitoring systems (for both the export and domestic Taiwan market) appear to have helped deter to some extent the sale of counterfeit goods. Patent, copyright and trademark holders should of course investigate the need to or desirability of filing for those rights in Taiwan.

While Taiwan is not a member of the Bern or Paris Conventions, it generally adheres to the principles embodied in those agreements. The Copyright Law, Patent Law and Trademark Law were further amended in 1997 by the Taiwan authorities to conform with all TRIPS standards in fulfillment of its commitments made during the process of WTO accession negotiations with the United States and other trading partners. However, the amended part of the Patent Law will not go into effect until Taiwan accedes to the WTO. In response to requests from the U. S., the Taiwan authorities plan to require imprinting the source identification (SID) code on all compact diskettes beginning July 1999.

Criminal sentences, including jail terms for egregious cases, are routinely meted out by Taiwan courts in intellectual property rights (IPR)-related

cases, although police and courts are reportedly less willing to act in weaker cases. Compensation for economic loss is also available.

Local Attorneys, Accountants and Insurance Companies

Taiwan has a comprehensive, modern legal system and with it a good number of highly regarded local and international law firms or legal consultants. Many Taiwanese attorneys active in the international business area have studied law in the United States, speak excellent English and understand well the concerns of American businesses. Consultations with a competent local attorney prior to engaging in business with the Taiwanese or in the Taiwan market is highly recommended.

Likewise, the major U.S. and global accounting firms and insurance companies have offices and are very active in Taiwan. Any U.S. firm interested in entering the Taiwan market should make a point of meeting with these professional advisors. Not only can they provide advice on their specific areas of expertise, but on a wide range of business and cultural matters that may be of concern.

Up-to-date lists of professional firms may be obtained from the American Chamber of Commerce in Taiwan (see Chapter XI, Appendix E) or the latest Directory of Taiwan (see Chapter IV).

Checking Bona Fides

Prior to entering into a relationship with an unknown Taiwanese company, a U.S. firm would be wise to confirm the reputation of the Taiwanese company. Local attorneys and accountants can be excellent sources of information, as can trade associations. More formally and for a fee, a number of private companies in Taiwan provide excellent company background information checking services:

Dun & Bradstreet
12F, 188 Nanking East Road, Sec. 5
Taipei, Taiwan
Tel: 886-2-2756-2922
Fax: 886-2-2749-1936

Estimated cost per Dunn & Bradstreet report is US\$290 and can be ordered from Dunn & Bradstreet in the United States.

China Credit Information Services, Ltd.
5F, Building C, 115 Tung Hsin Street
Taipei, Taiwan
Tel: 886-2-2765-3266
Fax: 886-2-2765-6033

A standard CCIS report costs \$150 and takes 2-3 weeks; an expedited report, taking a 10-12 days, costs US\$185.

CHAPTER V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Best Prospects for Non-Agricultural Goods and Services

Est. Dollar Growth
in U.S. Exports for

Rank	Industry Sector	the year 1999*
01.	Electronic Components	246
02.	Elec. Ind. Prod/Test Equipment	177
03.	Telecommunications Equipment	97
04.	Electrical Power Equipment	50
05.	Computer Software	45
06.	Pumps, Valves/Compressors	37
07.	Computer Services	17
08.	Travel/Tourism Services	13
09.	Pollution Control Equipment	13
10.	Medical Equipment	12
11.	Laboratory Scientific Instruments	9
12.	Education/Training	5
13.	Computers/Peripherals	3
14.	Plastic Materials/Resins	3
15.	Cosmetics/Toiletries	2

* in US\$ millions

01 - Electronic Components (ELC)

	1997	1998	1999(e)
A. Total Market Size	31,331	30,069	33,100
B. Total Local Production	28,569	27,238	30,350
C. Total Exports	11,010	14,116	16,250
D. Total Imports	13,772	16,947	19,000
E. Total Imp from the U.S.	2,482	3,364	3,610

Narrative: Taiwan electronic firms are importing leading edge components -- especially integrated circuits (ICs) -- to maintain the competitiveness of their assembly operations. The expected expansion in the use of advanced components will lead to increased imports from U.S. companies because of their superior technology. U.S.-made semiconductors are very competitive, ICs in particular. American firms face their stiffest competition from Japanese companies which have led the passive component and display/tube markets. Taiwan-produced components are suitable mainly for consumer electronic product applications.

02 - Electronics Industry Prod./Test Equipment (EIP)

	1997	1998	1999(e)
A. Total Market Size	1,812	2,902	3,570
B. Total Local Production	265	310	365
C. Total Exports	215	252	295
D. Total Imports	1,762	2,844	3,500
E. Total Imp from the U.S.	763	1,023	1,200

Narrative: With several on-going and proposed high-tech investment projects and growing production of advanced electronic products and components, sales prospects for advanced EIPT equipment are bright. Most advanced EIPT equipment must be imported to meet domestic demand since Taiwan-produced equipment is still limited to simple, low-value added products. The United States leads the market for semiconductor EIPT equipment, while Japan controls the EIPT markets in finished electronic products and passive components. Japanese EIPT firms are taking a very aggressive approach to the

fast growing and lucrative semiconductor market. Nevertheless, U.S. EIPT suppliers can be expected to continue as a major source of specialized EIPT equipment for the industrial/commercial electronics and active components industries due to their excellent performance, high reliability and durability.

03 - Telecommunications Equipment (TEL)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	2,693	4,386	4,970
B. Total Local Production	2,869	3,509	4,010
C. Total Exports	1,392	851	1,200
D. Total Imports	1,216	1,728	2,160
E. Total Imp from the U.S.	272	383	480

Narrative: Taiwan's telecommunications liberalization has stimulated demand for network infrastructure and customer premises equipment (CPE) products. Tenders for basic fixed-line telecom services (local, domestic long distance, and international telephone), scheduled to be announced by mid-1999 with preliminary licenses to be awarded by December 1999, should offer substantial long-term business opportunities for U.S. fixed-line network equipment suppliers. After privatization of the mobile telephone sector in 1998 and the tremendous growth in this market, U.S.-made mobile phone handsets should maintain their strong market position, due to strong brand name recognition and superior perceived quality. American firms face strong competition from Japanese companies which have led the sales of corded CPE, fax machines and key telephone systems in particular. Corded CPE and public switching systems are the mainstay of Taiwan's telecommunications equipment industry.

04 - Electrical Power Equipment (ELP)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	3,102	2,828	2,990
B. Total Local Production	3,600	3,100	3,110
C. Total Exports	2,994	2,452	2,460
D. Total Imports	2,496	2,180	2,340
E. Total Imp from the U.S.	416	470	520

Narrative: In addition to the on-going construction of the fourth nuclear power plant (Dragongate), the Taiwan Power Company (Taipower) plans to upgrade existing generation facilities and to build new fossil fuel plants. To address Taiwan's electricity shortage, local manufacturing industries plan to invest in electricity cogeneration and the authorities have given final approval for eight independent power plants (IPPs). U.S. service and equipment suppliers are in a strong competitive position, though European and Japanese firms are fighting for a greater market share. Taiwan-produced electrical generating systems are mostly assembly products.

05 - Computer Software (CSF)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	813	901	990
B. Total Local Production	470	535	600
C. Total Exports	145	173	200
D. Total Imports	488	539	590

E. Total Imp from the U.S.	439	485	530
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Narrative: Because the Taiwan software industry is currently in its early developmental stage, the local market relies heavily on imported software. Because of growing awareness of intellectual property rights, local purchases of foreign-developed software have expanded rapidly in recent years. American software vendors dominate, and will continue to dominate the Taiwan market in coming years. High-demand U.S.-origin software modules include operation systems, Internet/networking software, suite software, system tools for PCs platform/operation systems and software tools for workstations and above workstation platforms. Strong demand for personal computer installations by households and private businesses propels the market expansion of PC-based software products. U.S. companies should consider localization of their products for Chinese language users. The demand for U.S. origin software is expected to continue to increase substantially in Taiwan.

06 - Pumps, Valves/Compressors (PVC)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	1,294	1,350	1,485
B. Total Local Production	1,687	872	875
C. Total Exports	1,406	683	700
D. Total Imports	1,013	1,161	1,310
E. Total Imp from the U.S.	229	263	300

Narrative: Continued expansion of such industries as chemical materials, chemical products and textiles is bolstering the market growth for pumps, valves and compressors. Proposed capital investment in the three industries will be over US\$20 billion before the year 2002. Foreign firms are expected to gain more share in this growing sector since local competition still remains only in the less complex and small-medium size product areas. Aggressive marketing efforts are essential for American suppliers to improve their market position in Taiwan.

07 - Computer Services

	1997	1998	1999(e)
	-----	-----	-----
A. Total Sales	916	933	980
B. Sales by local firm	577	585	615
C. Sales by foreign firm	339	348	365
D. Sales by U.S.	305	313	330

Narrative: The market for computer services will continue to expand over the next several years. In particular, electronic information streaming and exchange services, web hosting services, web space management and network linking services, Y2K remediation solutions and system consultation and customization services show significant growth potential due to projects related to Y2K, electronic commerce (EC) and enterprise integration in both the public and private sectors. Because prevailing Internet and EC technologies and applications were developed in the U.S. which also remains the primary manufacturer, designer, and service provider of computer and IT related technologies, U.S. computer service providers have a strong reputation for performance and advanced functions with integrated solution capabilities. Although U.S. firms face increasing competition from active

European firms, U.S. software firms and service providers have strong market opportunities in Taiwan.

08 - Travel/Tourism Services (TRA)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Sales	12,281	11,210	11,780
B. Domestic Sales by Local Firms	110	125	140
C. Overseas Sales by Local Firms	12,171	11,085	11,640
D. Sales by U.S. Firms	1,558	1,502	1,515

Narrative: Taiwan's overseas travel is growing steadily with a yearly increase of about 10 percent. The United States has been, and remains, by far the most popular destination for those in Taiwan traveling outside of Asia, with 577,178 visitors in 1998 (a decrease of 2.0 percent from 1997) according to Taiwan statistics. Although many Taiwan long-haul tourists have already gone to the U.S., they still consider the U.S. as the most attractive country with numerous scenic spots warranting repeat visits. In addition, Taiwan has long-standing close ties with the United States. Taiwan visitors generally consider the U.S. to be the most popular and familiar of countries. Many airlines increases flights every summer to meet peak season demand. Fierce competition has forced Taiwan travel agencies to offer more attractive package tours at competitive prices. Twelve-day tours to the West Coast, including two nights in Hawaii, continue to be the most popular tours.

09 - Pollution Control Equipment (POL)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	857	913	995
B. Total Local Production	955	800	840
C. Total Exports	766	638	670
D. Total Imports	668	751	825
E. Total Imp from the U.S.	169	172	185

Narrative: The market for pollution control equipment in Taiwan is suffering from many of the same problems in the rest of the region, namely that it is a luxury. There are still many areas that will witness significant growth such as air pollution equipment, solid waste, recycling technologies, and hazardous waste. However, industry has asked the Taiwan authorities not to impose any additional impediments to growth such as tightening environmental standards so that it can weather the current regional crisis. Water discharge standards have been relaxed and other laws are being weakly implemented. Local production of pollution control equipment has also fallen as have exports of such equipment to regional markets. Despite the current situation, market watchers expect this sector to grow by seven percent in 1998 and 1999. Best prospects for Taiwan will be higher technologies pollution control equipment and cleaner production technologies for the semiconductor, petrochemical, pulp and paper and electroplating industries.

10 - Medical Equipment (MED)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	529	481	505
B. Total Local Production	255	220	230
C. Total Exports	112	96	100

D. Total Imports	385	357	375
E. Total Imp from the U.S.	164	148	160

Narrative: Recent rapid changes in social and economic development and disease patterns have not only expanded the scope of health care but also made people pay more attention to their own health. Due to limited domestic production, most advanced medical equipment must be imported. Opportunities for U.S. suppliers of high-end medical devices are good and will likely remain so through the next decade. However, the low-end products which domestic manufacturers focus on have had particularly competition

11 - Laboratory Scientific Instruments (LAB)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	2,702	1,504	1,535
B. Total Local Production	832	694	720
C. Total Exports	635	584	605
D. Total Imports	2,505	1,394	1,420
E. Total Imp from the U.S.	576	406	415

Narrative: Taiwan has made great efforts to improve its R&D environment. Public R&D expenditure on a wide range of projects has increased yearly. By 2002, more than US\$13.8 billion, almost triple 1992's US\$3.6 billion R&D budget will be devoted by the authorities to science and technology development. The authorities have also provided the private sector with attractive R&D tax incentives and other support. Sales of laboratory scientific instruments have risen in the computer, semiconductor and telecommunications sectors. With a number of on-going and proposed high-tech investment projects and increasing production of advanced electronic products/components and telecommunications products, the demand for laboratory scientific instruments will be further stimulated. The Taiwan market for imported laboratory scientific instruments will grow as the Taiwan authorities continue to actively promote industrial upgrading and emphasize the need for increased research and development over the next five years.

12 - Education/Training (EDS)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Expenditures	17,720	17,579	18,150
B. Spending at Home	16,500	16,578	17,100
C. Expenditures Abroad	1,220	1,001	1,050
D. Spending in the U.S.	550	465	470

Narrative: In 1989, Taiwan relaxed "Rules Governing Advanced Study Abroad" and reopened overseas study to senior high school graduates. Due to rising family incomes, the number of students pursuing study abroad on a self-financed basis has been on the increase in recent years. According to Taiwan statistics, 40-45 percent of students pursuing study abroad have gone to the United States. In recent years, short-term language study and overseas summer camp have been in great demand. In recognition of this growing market, and the value placed on English language skills in Taiwan, the U.K., Canada and Australia have stepped up marketing to attract students.

13 - Computers/Peripherals (CPT)

1997	1998	1999(e)
------	------	---------

	-----	-----	-----
A. Total Market Size	12,052	14,526	16,000
B. Total Local Production	23,387	22,543	24,450
C. Total Exports	13,911	9,525	10,000
D. Total Imports	2,576	1,508	1,550
E. Total Imp from the U.S.	373	225	228

Narrative: The market for computers and peripherals offers substantial sales opportunities for U.S. suppliers. This is due to the rapid development and popularity of the Internet, local awareness of the importance of computerization and information automation and the promotional activities of the Taiwan authorities to spur the expansion of the computer market in Taiwan. As well, local industry, financial institutions, academic research institutes, and public schools are actively modernizing their computer and networking systems to enhance production capability, office productivity, and management efficiency.

14 - Plastics Materials/Resins (PMR)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	7,269	6,096	6,250
B. Total Local Production	8,243	6,979	7,150
C. Total Exports	3,433	3,045	3,120
D. Total Imports	2,459	2,162	2,220
E. Total Imp from the U.S.	544	441	444

Narrative: The growth of Taiwan's economy has resulted in increased demand for plastic products over recent years. Demand for high-tech and high value-added plastic materials and resins for use in local industries such as electronic, communication, automobile, textile, package, construction, medical supplies and sporting equipment has grown rapidly. Insufficient local production, labor and land shortages, environmental protests against new projects or expansion of petrochemical plants, lack of R&D and advanced technology and slowing economic growth have impacted local production capabilities. Imports of plastic materials and resins are critical to the Taiwan chemical industry, particularly the composite and engineering materials sectors. While actual demand in quantity for plastic materials and resins has grown, decreasing commodity pricing has reflected a decreased demand in dollar value terms.

15 - Cosmetics/Toiletries (COS)

	1997	1998	1999(e)
	-----	-----	-----
A. Total Market Size	856	727	745
B. Total Local Production	559	463	470
C. Total Exports	151	135	135
D. Total Imports	448	399	410
E. Total Imp from the U.S.	145	93	95

Narrative: Improved living standards and a rising national income along with changes in consumption patterns have given rise to an expanding market for cosmetic and toiletries products. The market has expanded approximately 12 percent per annum from 1996. Foreign firms enjoy a strong market position in this market. Major international cosmetic and toiletry firms have introduced their brands into Taiwan and built production facilities. As the market continues to expand, there will be increased demand for high-quality brand

name imported products providing excellent opportunities for foreign suppliers.

Note: The above statistics are unofficial estimates.

Year	Imports	Exports	Production
-----	-----	-----	-----
1997	28.60	28.50	28.55
1998	33.50	33.40	33.45
1999(e)	33.00	33.00	33.00

Best Prospects For Agricultural Exports To Taiwan

Poultry (ready-to-cook, 1,000 mt)	1997	1998	1999
	(actual)	(actual)	(estimated)
a. Total market size	740	775	795
b. Total local production	739	770	780
c. Total exports	5	5	5
d. Total imports	6	10	20
e. Imports from the US	6(US\$9 mil)	10(\$10 mil)	12(\$12 mil)

Turkey imports, mainly from the United States, are basically consumed only by Westerners during the Thanksgiving/Christmas season. Imports of chicken meat and poultry offal are banned to protect domestic producers with high costs of production. In June 1998, Taiwan established a 10,000 mt import quota for US chicken meat. This quota, open only to US product, is part of a package of trade concessions contained in the Taiwan-US WTO pre-accession trade agreement. As the exclusive overseas supplier, the United States will have 100 percent market share in 1998. After Taiwan accedes to the WTO imports will be open to all suppliers under a tariff rate quota system. With appropriate market development and promotion, the United States is expected to maintain its leading position in this market even after Taiwan's WTO accession. Taiwan will liberalize imports of poultry offal upon accession to the WTO.

Peaches/Nectarines/Plums (US\$ million)	1997	1998	1999
	(actual)	(actual)	(estimated)
a. Total market size	101.0	79.1	78
b. Total local production	57.2(92tmt)	41.9(64tmt)	35(60tmt)
c. Total exports	0	0	0
d. Total imports	43.8	37.2	43
e. Imports from the US	41	33.4	40

Taiwan is a very significant offshore market for U.S. treefruits. Unfortunately, due to a very poor U.S. plum harvest, U.S. treefruit imports on Taiwan dipped to \$36.4 million in 1998. Fortunately, this is seen as being temporary due to the substandard harvest, rather than as a falling off of demand or increased competition from third country exports to Taiwan. From the United States, white flesh peaches are far and away the best seller on Taiwan, with yellow flesh peaches a distant second. The U.S. was an early entrant into the local market and should retain over 90 percent of the treefruit import market for at least the next five years. Although a 20 percent annual growth rate in U.S. treefruit imports is quite possible, the industry projects a more conservative growth rate of ten percent per year, reaching over \$40 million by the year 2003. A major source of competition is from illegally smuggled Japanese peaches. Improper handling and poor refrigeration also are an impediment to U.S. trade. The current import tariff

rate for peaches and nectarines is 40 percent, and the rate for plums is 35 percent.

Fruit & Vegetable Juices (US\$ million)	1997 (actual)	1998 (actual)	1999 (estimated)
a. Total market size	242.7	219.4	230.7
b. Total local production	219.2	195.4	205.7
c. Total exports	13.3	12	12
d. Total imports	36.8	36.4	37
e. Imports from the US	10.6	13	13

With the cola/tea boom of the early 1990's apparently behind us, Taiwan's thirsty consumers are now buying fruit juices/drinks (and mineral water) in record numbers. Much of this shift in preference derives from the popular perception of fruit juices/drinks as being natural and healthy, especially for children. Many foreign suppliers compete for the lucrative import market, but the U.S. still maintains the largest market share, 29 percent in 1998, during which Taiwan imported \$10.6 million of U.S. pure fruit juices alone, a 36 percent increase over the previous year. Orange, apple, grape and grapefruit juices make up the top four U.S. imports into Taiwan, in descending order, along with an innovative assortment of mixed-juice products. Taiwan consumers are expected to continue to increase their consumption of imported fruit juices/drinks at an average annual rate of five percent through 2003. Until Taiwan becomes a member of the WTO, import tariff rates will most likely remain high. (Orange juice: 42.5 percent; other pure juices: 40 percent; juice mixtures: 35 percent; and any juice used in infant food: 7.5 percent). Besides tariffs, non-100 percent fruit juices are also assessed an extra 8-15 percent value added "commodity tax."

Pork (carcass wt. equivalent, 1,000 mt)	1997 (actual)	1998 (actual)	1999 (estimated)
a. Total market size	860	969	945
b. Total local production	1,030	890	885
c. Total exports	70	3	5
d. Total imports	0	22	25
e. Imports from the US	0	18(\$11mil)	20(\$13mil)

Before the outbreak of foot-and-mouth disease (FMD) in March 1997, Taiwan was a net exporter of pork and during the past several years had imported virtually no pork products. In June 1998, Taiwan established annual import quotas for US pork belly and pork offal. These quotas, open only to US product, are part of a package of trade concessions contained in the Taiwan-US WTO pre-accession trade agreement. As a consequence of the FMD outbreak, Taiwan lost about one-third of its total pig herd. Naturally, demand for imported pork resulted. Unfortunately, US packers are not familiar with local customs and practices for cutting, processing, and packaging pork offal and other pork cuts. Therefore, they were at a disadvantage, vis-a-vis exporters from Asian countries where meat packers employ practices similar to those followed on Taiwan. However, Taiwan, under the quota arrangement described above, is required to import 5,000 mt of US pork belly products and 7,500 mt of pork offal each year. Thus, these quotas provide US pork exports access to the market that would have been difficult to obtain in a more traditional trade environment. This advantage will disappear when Taiwan accedes to the WTO and the quotas are replaced with a tariff rate quota system under which all foreign suppliers have equal access. In the interim, US suppliers will have an opportunity to gain familiarity with local practices and requirements, providing them with the tools they need to remain competitive in this market after Taiwan accedes to the WTO.

Beef (carcass wt. equivalent, 1,000 mt)	1997 (actual)	1998 (actual)	1999 (estimated)
a. Total market size	81	79	80
b. Total local production	6	6	6
c. Total exports	0	0	0
d. Total imports	75	72	74
e. Imports from the US	17(\$66mil)	17(\$56mil)	18(US\$60ml)

Over 90 percent of Taiwan's beef demand is supplied by imports. US beef, which accounts for one-third of the beef import market, will continue to grow in the coming years. In June 1998, Taiwan established an annual import quota for 5,000 mt of US beef offal as a down payment to the United States in Taiwan's WTO accession bid. As the exclusive supplier of beef offal, the United States is expected to gain a larger market share of overall beef imports in 1999. The demand for offal products on Taiwan is strong, but the cut and package US beef offal products do not usually meet the specifications required by this market. However, between now and Taiwan's accession to the WTO, the US will continue to be the only country that can export beef offal to Taiwan. This should provide US beef offal suppliers time in which to adjust to the requirements of the Taiwan market and the ability to compete strongly in this market after Taiwan accedes to the WTO and this market is open to other overseas suppliers.

Snack Foods (US\$ million)	1997 (actual)	1998 (actual)	1999 (estimated)
a. Total market size	98	93	100
b. Total local production	76	70	72
c. Total exports	0	0	0
d. Total imports	22	23	28
e. Imports from the US	9	19	23

Snack foods are an important part of the Taiwanese diet. The variety of snack foods available is broad and product categories are not well defined. The most popular snacks are preserved fruits and seeds; dried beef/seafood/tofu; flavored nuts and vegetables; confectionery products; baked goods; biscuits, cookies and crackers; and western-style chips. U.S. manufacturers of potato chips have been the most successful in this market, with 82 percent of the market. Currently, there is increasing competition from other countries such as the United Kingdom and other EU countries. Potato chips are distinctive from other snack foods in flavor and therefore competition from local snack foods is not a problem. Prospects for U.S. potato chip exports to Taiwan are quite good.

Wine (US\$ million)	1997 (actual)	1998 (actual)	1999 (estimated)
a. Total market size	236.3	129.3	76.4
b. Total local production	62.1	48.7	38.2
c. Total exports	0	0	0
d. Total imports	174.9	80.6	38.2
e. Imports from the US	17.2	11.9	4.3

Though 1997 was a remarkable year in Taiwan for wine imports, the import market experienced a significant slowdown in 1998. Much of this was due to the phenomenal sales growth of the previous year and the oversupply resulting from importer-led exuberance. Total wine imports reached \$174.9 million in 1997. That is a per-capita annual consumption of \$7.69. The U.S. supplied \$17.2 million worth of wine to Taiwan in 1997. By 1998, this had slipped to

\$11.9 million. Despite the steady increase in the size of the imported wine market in Taiwan, the U.S. lost its lead market share position in volume terms to France. The decline was partially due to the strong trade promotion activities of the French organization Sopexa, and some other third-country competitors such as Australia, Italy, Spain and Chile. The massive purchases by importers in 1997 also means there are still large stocks lying unsold in bond. The inability of importers to properly store surplus wine for any length of time is a growing concern. Although there currently appears to be a slight resurgence in the popularity of hard liquor - especially Scotch whiskey - the effect on wine sales is thought to be minimal, and wine consumption in Taiwan is expected to continue upwards. It is predicted that 35 percent of the adult population will be wine drinkers by 2000. U.S. promotional efforts should focus on re-establishing the U.S. image for good wines that are consistent in quality and flavor. Currently, the import tariff on wine is a fixed NT\$119/liter, which is approximately \$3.61/liter (\$1 = NT\$33).

Grapes (US\$ million)	1997 (actual)	1998 (actual)	1999 (estimated)
a. Total market size	83.5	61.6	59
b. Total local production	69.4(81tmt)	51.0(73tmt)	45(70tmt)
c. Total exports	0	0	0
d. Total imports	14.1	10.6	14
e. Imports from the US	13.6	10.0	13

Taiwan continues to be one of the California grape industry's most significant export markets. U.S. grape imports into Taiwan for 1998 were \$10 million, giving the U.S. an impressive 95 percent market share of imports in value terms. However, U.S. grape sales to Taiwan were nearly \$18 million in 1996, and \$13.6 million in 1997. The United States is the only country allowed to import grapes into Taiwan. However, a significant amount of contraband grapes enters Taiwan, primarily from the mainland. Local production has been declining steadily since 1990, which means total consumption of grapes from all origins has declined in the past two years. However, fresh grapes remain an important part of the local consumer's fresh-fruit diet, reported to be one of the world's highest. Per capital consumption of grapes has averaged nearly nine pounds over the past five years. The current tariff rate is 38 percent. Upon Taiwan's accession to the WTO, foreign competition probably will be introduced from Chile and Australia. Hopefully, through aggressive marketing, the United States can maintain its premier market position.

Pet Food (US\$ million)	1997 (actual)	1998 (actual)	1999 (estimated)
a. Total market size	55	49	50
b. Total local production	14	12	12
c. Total exports	0.8	0.2	0
d. Total imports	41	37	38
e. Imports from the US	22	19	20

The market for imported pet food in Taiwan grew from \$32 million in 1993 to \$36.5 million in 1998. The U.S. had the largest market share (52 percent), followed by Australia (26 percent), Japan (5 percent) and Canada (4.7 percent). The growth in the Taiwan pet food market can be attributed mainly to a change in attitude toward animals as pets and a subsequent shift from feeding table scraps to stray animals to serving pet food to well cared-for pets. With rising incomes and strong western influences, dogs are now a symbol of affluence rather than a stew meat. Imported pet food maintains a

market share of 80 percent, even though retail prices for imported pet foods are higher than locally produced pet products. Taiwan pet food imports are expected to grow moderately over the next few years.

Chocolate & Other Candy (US\$ million)	1997	1998	1999
	(actual)	(actual)	(estimated)
a. Total market size	298	289	290
b. Total local production	242	255	260
c. Total exports	21	34	36
d. Total imports	77	62	80
e. Imports from the US	15	9	15

Imported candy products have grown steadily at an average annual rate of 9 percent by value or 10 percent by volume, over the past five years through 1997. In 1998, Taiwan only imported \$62 million (19,146 mt). Imports dropped 20 percent by value and 13 percent by volume, mainly due to an overall economic slowdown that year. Italy was the largest supplier (18 percent market share), followed by Japan (17 percent), the United States (15 percent), Australia (8 percent), France (5 percent), the Netherlands (5 percent), and Switzerland (5 percent). The United States used to have the largest market share, but the recent entry of major European chocolate product manufacturers has shifted some market share away from U.S. suppliers. Taiwan retail industry sources indicate U.S. candy products are very competitive, both in terms of quality and cost. Marketing efforts should focus on promoting candy gift packs during the peak candy season (November-February), which covers Christmas, Chinese Lunar New Year and Valentine's Day.

CHAPTER VI: TRADE REGULATIONS, CUSTOMS AND STANDARDS

Import Tariffs/Non-Tariff Barriers and Import Taxes

Non-Agricultural Products and Products Generally

Tariffs: In May 1998, Taiwan began implementing tariff cuts on a wide range of items, many of specific interest to U.S. industry, such as buses and camera film. An additional 777 items are slated for tariff cuts shortly. Taiwan's current average nominal tariff rate is 8.3 percent; the trade-weighted rate is 3.2 percent. Taiwan is a participant in the Information Technology Agreement (ITA). Under the ITA, Taiwan has agreed to phase out tariffs on information technology products. The first tranche of ITA-related cuts was implemented on a temporary basis on July 1, 1997 under administrative order. A second tranche of cuts went into effect on January 1, 1998. While the vast majority of tariffs on these products will be phased out by the year 2000, for some products reductions will not be completed until 2002. The administrative order must be renewed annually until Taiwan enacts permanent reductions in connection with its accession to the WTO.

In addition to the import duty, importers must also pay a 0.3 percent harbor construction fee and a 5 percent value-added tax. Goods entering Taiwan by airfreight or parcel post are exempt from harbor fees. A commodity tax must be paid if an imported product falls into one of seven commodity categories. The rates range from 2-60 percent. The tax is assessed on the C.I.F. and duty-paid value of affected imports. The seven commodity categories include rubber tires, cement, beverages, oil and gas, electric appliances, flat glass, and automotive products.

Prohibited Imports: Narcotics are barred from entry into Taiwan. Arms and munitions are banned outright. In addition, Taiwan maintains a de facto ban on the importation of fishing boats (including sport-fishing boats), which has frustrated the efforts of several U.S. firms. Motorcycles with engines larger than 150cc likewise are now effectively banned from importation, although such imports will be permitted upon Taiwan's accession to the WTO

Import Licensing and Other Restrictions Generally: Of some 10,200 import product categories in Taiwan, approximately 990 still require approval from relevant authorities and another 278 require import permits from the Board of Foreign Trade or pro forma notarization by banks. In addition to the restrictions on agricultural items, the Council of Agriculture also implements what amounts to a de facto ban on the importation of fishing boats (including sport fishing boats), which has frustrated the export efforts of several U.S. firms. Motorcycles with engines larger than 150cc, although now effectively banned from importation, may be imported after Taiwan's accession to the WTO. For some products where licenses are required, the importer may be required first to obtain the authorization of certain agencies such as Taiwan's Department of Health (DOH) for medical equipment, the Board of Foreign Trade or the Provincial Department of Agriculture and Forestry for certain fertilizers, and the Department of Environmental Protection for waste and scrap copper, aluminum, lead and zinc. Often these additional approvals and documentary requirements add to the administrative burdens of importing products into Taiwan or make importation effectively impossible for small exporters without the appropriate connections with the relevant authorities. Local content requirements in the automobile and motorcycle industries will be also lifted as part of Taiwan's WTO accession.

Other than WTO accession issues, market access for U.S.-made medical devices and pharmaceuticals has been one of the most contentious trade issues between the United States and Taiwan over the last two years. Taiwan has declared both the medical device and pharmaceutical sectors as areas warranting priority for development. Favorable measures have been introduced by Taiwan agencies to promote growth and technological development in these areas. Taiwan does not discriminate against imported devices and drugs per se. However, Taiwan's national health insurance system acts effectively as the exclusive buyer for all medical products and services in Taiwan. As such, Taiwan authorities set prices for all drugs and medical devices on a de facto basis. It is this pricing system which frequently has the effect of discriminating against typically higher quality and higher priced pharmaceuticals and medical devices imported from the United States by limiting the reimbursement amount for certain products.

Restrictions on Medical Devices: To date, the Taiwan market has been an important one for the U.S. medical device industry. Taiwan is the third largest emerging market in Asia for U.S. medical device industry exports. In 1998, U.S. medical device industry exports to Taiwan were approximately \$210 million, according the Taiwan Health Industry Manufacturers Association (HIMA). HIMA estimates the total market in medical technologies in Taiwan to be around \$900 million.

In 1996, the United States and Taiwan concluded an agreement on medical device pricing with specific measures to be achieved regarding national treatment, transparency, openness, predictability and functionality. However, significant differences exist between the functionality of imported products and those made in Taiwan.

For example, in December 1997, Taiwan's National Health Insurance Bureau (NHIB) introduced a diagnostic-related group case payment system for medical device products. This system assigns "generic" pricing, counter to the principle of creating value-based pricing for devices as stated in the agreement. This unexpected change in reimbursement systems was accompanied by drastic price cuts for foreign manufactured orthopedic products to levels nearly identical to those for domestically produced orthopedic products, thus eliminating the distinction between products based on quality and relative value.

The change to generic rather than quality pricing for medical devices threatens to reduce dramatically the market for advanced foreign medical device products, at the same time that it provides ample profits to local Taiwan companies for development of more advanced medical devices. The United States is requesting that Taiwan adopt special measures that will recognize the value of the technology embodied in U.S. and other foreign medical devices -- especially in orthopedic knee and hip implants.

Restrictions on Pharmaceuticals: The U.S. pharmaceutical industry faces price controls similar to those encountered by U.S. medical device manufacturers. Under Taiwan's pricing system, producers of "generic" pharmaceuticals are reimbursed at a set percentage of the price set for the equivalent proprietary drugs. This system discriminates against patented and brand-name pharmaceuticals, which are typically imported, by providing a higher rate of return on "generic" products that are produced in Taiwan. U.S. companies remain concerned that in some cases, price differentials between generic and name brand products remain overly narrow.

During 1998, the Taiwan Department of Health promulgated a no-fault compensation scheme for patients who suffer from adverse drug reactions. While theoretically voluntary, the scheme has built-in incentives which would put non-participating companies at a competitive disadvantage in the marketplace. The scheme requires a contribution of 0.1% of sales revenue from participating firms. U.S. firms claim this duplicates existing expenses for product liability insurance. Other regulatory barriers to medical device and drug imports are discussed in detail under the Standards, Testing, Labeling and Certification portion of this chapter.

Agricultural Products

Tariffs: Many agricultural tariffs were cut in 1995 by Taiwan as part of a set of unilateral tariff reductions. In May 1998, Taiwan began implementing another set tariff cuts on a wide range of items, including agricultural products. Further tariff reductions on 15 agricultural products, negotiated as part of the U.S.-Taiwan bilateral WTO agreement, took effect in July 1998. Although U.S. exporters nevertheless consider that many of the tariff reductions were not deep enough to have real commercial effect and that the present tariff structure on these items, as well as other agricultural tariffs, continue to be a significant barrier to U.S. exports, many of these tariffs will be lowered in the context of Taiwan WTO accession.

In addition, United States agricultural exporters continue to report instances in which the customs authorities on Taiwan have reclassified import items to lines with higher tariffs, often after years of trade history. This practice is most prominent in agricultural commodities, such as mixed feed stuffs, tallow and grease, and intermediate ingredients. Such a practice negates some of Taiwan's tariff cuts.

Prohibited Imports: Several important agricultural products, including rice, sugar, and selected dairy products, are banned outright. A number of agricultural items can only be imported pending the agricultural authorities' prior approval. This amounts to a de facto ban on imports of many of these products since import approval is normally not granted. Quarantine requirements, which are often overly stringent and not based on sound science, also block imports of certain plant and animal products. Items under de facto bans include chicken (fresh and frozen), certain cuts of pork, peanuts, and adzuki beans. Rice and rice products are considered to be exceptional items requiring approval from Taiwan's Provincial Food Bureau. Imports of sugar and selected dairy products are banned outright.

Bans on US pork bellies, pork offal, beef offal, and poultry were lifted in the Taiwan/US February 1998 WTO pre-accession agreement. Under this agreement Taiwan established small quotas for each of these four categories. Upon Taiwan's accession to the WTO these quotas will be expanded, multilateralized and administered as tariff rate quotas. Several countries are currently negotiating pre-accession access similar to that of the US. However, subsequent to the implementation of these quotas, Taiwan authorities used reclassification in order to ban or limit importation of two pork products. As a result of product reclassification, frozen bacon imports are now banned, and some pork bone product imports are limited by quotas. Both of these products could be imported in unrestricted quantities prior to reclassification. Upon accession to the WTO, access will be established for rice and dairy products.

Import/Export Documentation

Non-Agricultural Products and Products Generally

A foreign supplier's proforma invoice (quotation) is required for application of an import permit and the establishment of a letter of credit. Documents required for shipments to or from Taiwan include the commercial invoice, bill of lading or airway bill, packing list, and certificate of origin. Shipments of agricultural products, plants, and animals to Taiwan may require certificates of inspection or quarantine issued in the country of origin and are subject to inspection and quarantine upon importation into Taiwan.

The commercial invoice must show the import license number; F.O.B., C&F, or C.I.F. value; insurance; freight; and discounts or commissions, if any. The commodity description and value shown on the commercial invoice must agree with those on the import license. No requirements exist as to the form of a commercial invoice or a bill of lading. In addition to the information generally included in a standard bill of lading, all marks and case numbers appearing on packages must be shown. Customs does not permit the grouping of marks or numbers on a shipment of mixed commodities.

Agricultural Products

Shipments of agricultural products, plants, and animals to Taiwan may require certificates of inspection or quarantine issued in the country of origin and are subject to inspection and quarantine upon importation into Taiwan.

Customs Valuations

Taiwan revised its Customs Law in July 1986 in order to implement procedures consistent with the "Agreement on Implementation of Article VII of the GATT." This article refers to the valuation of all imports for the assessment of

duties. The Taiwan authorities have stated that upon its accession to WTO, it will fully adhere to the Customs Valuation Code.

The dutiable value of an import into Taiwan is defined as its cost, insurance and freight (C.I.F.) value. Taiwan generally assesses the ad valorem duty on the invoice price as stated on the import document. If customs officials consider an invoice's transaction value to be too low, they will value the item based on the actual transaction price of the same or similar goods sold to Taiwan at approximately the same time of exporting the said products.

Labeling, Marking Requirements

Non-Agricultural Products and Products Generally

Taiwan labeling regulations require that the net contents of packaged goods shall be shown in metric units. Dual labeling in metric and nonmetric units is permitted. Measuring instruments calibrated in nonmetric units must show metric equivalents. On March 7, 1995, Taiwan tightened regulations on Chinese labeling for food items, expanding coverage to all food products sold at retail (but allowing exemptions for some food service items) and requiring the labels to be affixed prior to customs clearance. Required information includes name and address of manufacturer or importer, date of production and/or expiry date and list of ingredients. Taiwan's Consumer Protection Law requires that all imported goods have Chinese language labels and instructions which shall be at least as comprehensive as the language-of-origin labels and accompanying instructions.

All imported cargo must bear a mark of distinctive design, a set of three or more letters, or a combination of design and letters indelibly stenciled, stamped, or burned on the packing or on the cargo itself. For cargo packed in cases, boxes, crates, casks, drums, or cylinders, each container should bear a separate number, which cannot be repeated for two years. Bags or bales also must bear a nonrecurring number, date, or set of three or more letters. In addition, each package of a consignment must be numbered consecutively. Numbering is not essential for large lots of cargo except when packaged in cases, boxes, or crates, provided that each package of the consignment contains cargo of identical weight.

Agricultural Products

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Standards, Testing, Labeling and Certification

Non-Agricultural Products and Products Generally

"Chinese National Standards (CNS)", written and published by the National Bureau of Standards of the Ministry of Economic Affairs, list relevant standards requirements for imported products into Taiwan. CNS is similar to or in conformity with international standards such as ISO and IEC. The Bureau of Standards, Metrology and Inspection (BSMI) carries out necessary commodity inspection measures according to the Commodity Inspection Law. The purpose of this inspection is to promote the quality of commodities,

safeguard product safety and protect consumer interests. The method of commodity inspections generally conforms to international standards. However, certain industrial products (such as air-conditioning and refrigeration equipment) are required to undergo testing to verify energy efficiency and capacity before clearing customs. Recent efforts to enforce compliance of some imported products with Taiwan standards have resulted in long delays at customs for some U.S. products entering the market, as testing facilities are inadequate and testing procedures slow and inefficient.

Registration procedures for imports of pharmaceuticals, medical devices and cosmetics are both complex and time consuming and have been the subject of a number of complaints by U.S. firms. Foreign medical device manufacturers must also re-register second or third generation versions of previously approved products, and the Department of Health also requires the registration of individual products instead of entire product lines.

For all but new chemical entities, pharmaceutical companies are still not allowed to import drugs which are produced using multi-site sourcing. Moreover, pharmaceutical companies claim that Taiwanese clinical trial requirements for drugs approved in other major markets add 2-3 years to the approval time. In 1998, however, Taiwan authorities began a two-year phase-out of clinical trials as part of the registration process for new drugs. This initiative, once fully implemented, is expected to significantly reduce regulatory burdens on pharmaceutical firms. Lastly, Department of Health authorities continue to require the submission of detailed plant master files (PMF) as part of the registration and approval process for new drugs. United States industry has called for submission of United States FDA Establishment Inspection Reports, ISO-13485 certificates, and free sales certificates as a means to satisfy the PMF requirement.

In May 1994, the predecessor of BSMI announced that mandatory inspection for CNS compliance of domestic and imported portable electric drills, grinders, disc grinders and circular saws would be implemented beginning August 1, 1994. Local importers are required to secure inspection approval labels before products can be sold in the Taiwan market. BSMI's safety inspection requires the testing of samples from each shipment. This system of repetitive testing is costly and unnecessarily burdensome. The delays caused by the inspection keep U.S. products from entering the market and create significant additional warehousing and inventory carrying costs for U.S. firms and their local importers. U.S. firms are able to meet reasonable safety and reliability standards, including CNS standards. However, the current CNS system, which requires the testing of each shipment, is clearly burdensome, unreasonable and a barrier to imports. U.S. firms believe that BSMI should create a system for "type approval" of electric power tools. Type approval would entail one time testing of a sample piece of equipment and some form of certification that a producer's manufacturing facilities will continue to turn out products of a similar standard.

In 1997, the Taiwan authorities promulgated new electromagnetic compatibility (EMC) standards for computer and other electronic goods. Bilateral discussions led to a grace period prior to implementation of the new rules, allowing affected U.S. firms to comply without a disruption of U.S. computer exports to Taiwan. In October 1998, the U.S. and Taiwan initialed an agreement under which Taiwan and the United States will mutually recognize EMC testing and certification by accredited labs, subsequent to a two-year confidence-building period. Implementation awaits approval by Taiwan's Cabinet.

Agricultural Products

The Bureau of Standards, Metrology and Inspection (BSMI) carries out necessary food safety inspection measures according to the Commodity Inspection Law. The purpose of this inspection is to promote the quality of commodities, safeguard product safety, and protect consumer interests. The method of commodity inspections generally conforms to international standards.

The Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) is responsible for inspection and quarantine for the purpose of safeguarding animal and plant health. Currently, Taiwan does not enforce pesticide tolerance standards for imported fruits and vegetables. Standards will soon be enforced. Taiwan often fails to notify its trading partners of changes in sanitary and phytosanitary (SPS) import regulations. Standards on preservatives for soft drinks preclude the import of certain beverages.

Temporary Entry

Taiwan is not a member of ATA Carnet system due to the lack of diplomatic relations with ATA Carnet countries. However, Taiwan has signed bilateral agreements with 22 nations, including 15 EU countries, Switzerland, South Africa, Singapore, Korea, New Zealand, Australia and Canada, to implement ATA Carnet. These agreements grant temporary customs exemptions for a wide range of products such as test instruments, scientific equipment, exhibition goods, etc., which are brought into Taiwan for sales promotion and exhibition purposes on a temporary basis. Upon conclusion of the event, items must be shipped out of Taiwan within a year to avoid imposition of harbor taxes and tariffs.

A similar agreement with the United States to implement the AIT Carnet is expected to be signed in the last half of 1999. Like the ATA Carnet, AIT Carnets will be valid for up to one year and allow U.S. exporters to avoid duties and taxes when entering Taiwan. Operational details remain to be finalized, though it is anticipated that the first Carnets will be issued by the last half of 1999. The AIT Carnets issued exclusively for Taiwan will be very similar to the traditional ATA Carnets, but must be applied for separately (due to the U.S.'s lack of diplomatic recognition of Taiwan). For example, if traveling to both Taiwan and China, one would have to apply for an ATA and an AIT Carnet. Questions regarding the process and further developments of the AIT Carnet process should be directed to the U.S. Council for International Business at 1212 Avenue of the Americas, New York, N.Y. 10036-1689, Tel: 212-354-4480, Fax: 212-575-0327.

Public Procurement

In connection with its accession to the WTO, Taiwan has agreed to join the WTO Agreement on Government Procurement (GPA). Adherence to the GPA's procedures should do much to improve the transparency of the bid process on major government procurement contracts. In addition, Taiwan has agreed to new dispute settlement procedures on major government contracts. A new Government Procurement Law went into effect on May 27, 1999, marking an important step towards open, fair competition in Taiwan's market for public procurement projects, although the new law is being implemented and enforced by a reorganized body, the Government Procurement and Public Construction Commission. However, many details and supporting regulations have yet to be finalized. Furthermore, until Taiwan joins the WTO, individual procuring

entities may (but are not obligated to) determine separate procedures pursuant to which they will allow foreign firms to bid on their tenders.

The excellent trends notwithstanding, problems encountered by U.S. firms wishing to bid on and engaging in contracts in Taiwan to date have been serious and constitute significant trade barriers. Despite recent reforms, access to Taiwan's estimated \$10 billion annual public construction market remains problematic. Municipal governments in particular have been notably arbitrary in dealing with foreign contractors. The most common pattern of difficulty consists of frequent and unreasonable change orders introduced during performance of the contract. Performance bonds are forfeited and contracts canceled when foreign construction companies are unwilling to accommodate substantially increased costs within the originally agreed payment. Lack of timely and effective arbitration procedures prevent satisfactory resolution of contract disputes. Some major international contractors will no longer undertake significant contracts in Taiwan.

U.S. industry has also been hindered in bidding on major projects by non-transparent procurement procedures, which include the use of invisible ceiling prices on bid tenders and unlimited potential damages and contingent liability requirements inconsistent with international practices. Other problems include: expensive bond requirements, short lead times on major tenders, non-transparent and lengthy warranty provisions, unclear payment schedules, and pre-qualification requirements which limit experience to similar projects in Taiwan and disqualify related overseas experience. Additional limitations include a requirement that foreign firms have a local construction license or else establish a local subsidiary in order to bid on public projects. Possible exceptions to current laws involve construction services requiring new technology or cases where foreign firms provide consulting and other services.

Electronic Commerce

Taiwan supports international efforts to facilitate global e-commerce and recently unveiled e-commerce policy guidelines which emphasize the primacy of the private sector in e-commerce development. In practice, however, Taiwan's approach to e-commerce and related issues is less clear. At the end of 1998, for example, central authorities had proposed an amendment to the Taiwan Telecom Law which could, depending upon implementation, require an intrusive and time-consuming inspection and approval system for all hardware and software encryption modules. U.S. industry opposes the amendment on the grounds that such a system is contrary to international norms. Moreover, in practice, such an inspection regime could adversely affect the computer software and hardware exports from the United States

Free Trade Zones/Warehouses

Taiwan's three export processing zones (EPZs) are established in order to encourage investments and expand the export of products and services. Therefore, all products imported by enterprises located in EPZs for their own use are exempt from customs duties. The products of the manufacturing industry in the EPZs are normally for export. However, 100 percent of their annual production may be allowed for sale on the local market after the payment of customs duties.

On October 17, 1996, The Executive Yuan (Cabinet) approved new regulations offering lucrative tax incentives to help transform EPZs into warehousing transshipment centers. On April 16, 1997 the Legislative Yuan passed these

new regulations, which became effective upon presidential promulgation on May 8, 1997. Industries accommodated in the zones have been expanded from manufacturing to include large warehouses, transshipment firms, loading, unloading, and repair services. Business activities in the zones are tax free, with shipments from the zones to domestic markets subject to taxes.

Opened in 1980, the Hsinchu Science-Based Industrial Park is Taiwan's most visible attempt to move into technology-intensive industries. Firms investing in the park enjoy substantial tax benefits, concessionary public financing, low land cost, and support services such as warehousing, factories, and telecommunications facilities. Customs duties must be paid if the finished product is sold domestically.

The Science-Based Industrial Park Administration has proposed an overall development plan for the Tainan Science-Based Industrial Park, the construction of which has been underway since July 1996 and is expected to be completed by the year 2010.

Bonded factories may be established anywhere in Taiwan. Bonded factory companies produce primarily for export markets and may import their manufacturing components and raw materials duty free. However, the authorities will not extend duty-free treatment to items whose duty rate is already considered minimal, materials known to pollute the environment, and items for which a domestic source is readily available. Bonded storage facilities are available in Taiwan and are limited almost entirely to those warehouses under the direct supervision of the Directorate General of Customs. Goods may enter bonded warehouses on arrival in Taiwan, provided the consignee has made prior application to customs for such entry.

Special Import Provisions

For political, diplomatic or economic reasons, the authorities have placed restrictions on the imports of certain permissible goods from designated procurement areas. For example, to counter its chronic trade deficit with Japan, Taiwan previously excluded Japan and favored North America and Western Europe through regional restrictions in import licensing procedures and in public procurement tenders, although the area import restrictions were abolished on June 1, 1997 to facilitate Taiwan joining the World Trade Organization (WTO). Also restricted and/or controlled is the importation of certain products on the grounds of national security, maintaining the public order, or preserving human, animal or plant health. All require a prior import permit issued by the Board of Foreign Trade.

Taiwan has lifted the ban on importation of a large number of raw food products and industrial materials and components from mainland China (PRC), based on the needs of the food processing and other industries in Taiwan. Currently, 56.5 percent of all import categories in the Taiwan tariff schedule can be imported from the PRC; the rest remain banned. Starting May 19, 1998, however, Taiwan extended to all banned PRC imports the same rules and regulations it applies to all other imports with regard to country of origin and value added processing. In other words, banned goods from the PRC can be imported if it can be shown that they were primarily made elsewhere, and did not undergo substantial transformation in the PRC. The definition of "substantial transformation" is value added exceeding 35 percent of the final export value of the good.

Export Controls

Of the total 10,237 items in Taiwan's current tariff schedule (HS), 9,027 or 88.18 percent may be exported. In the past, most exports required export permits. As of May 1999, 1,210 items or 11.82 percent require export licenses. Licenses are required for the following reasons:

- Implementation of quantitative restriction arrangements, on exports of textile and garment products to the U.S., Canada, Brazil and the European Community.
- National security, i.e. the security of supply of certain daily necessities and important industrial materials, including rice, salt, coal and uranium.
- Implementation of trade and social policies, ie. the export of munitions and armaments, high-tech equipment and supplies, and narcotics.
- Protection of intellectual properties and endangered species of wild fauna and flora.
- Concern over hygiene and health effects of certain products.

The Use of International Standards in Taiwan

Taiwan has traditionally used Taiwan's own independently development Chinese National Standards (CNS) system of specifications for most products to be sold in the Taiwan market. However, to further develop Taiwan's industrial base, as well as to satisfy requirements of the World Trade Organization, Taiwan's Bureau of Standards, Metrology and Inspection (BSMI) revised the Standards Law as of November 26, 1997. The revision now makes positive references to the legislative practices of industrialized countries, standards guidelines of the International Standardization Organization (ISO) and the Agreement on Technical Barriers to Trade (TBT). That being said, U.S. companies have complained Taiwan does not directly accept U.S. or international standards, results from overseas test labs may be not be acceptable and applications under CNS add additional burdens and costs.

For example, compliance with CNS 12681/12682, a CNS equivalent to ISO 9001/9002, allows for receipt of the CNS Quality Mark. However, to receive the CNS Quality Mark, test data may be required from Taiwan labs or the application may require other burdensome procedures. CNS 12681/12682 covers strategic industrial, information, communications, photo-electronics and automation products.

Notwithstanding remaining difficulties with the CNS system, the trend in Taiwan is very good in this area. As one example, BSMI has also synchronized Taiwan's national environmental management standards with the draft ISO 14000 series standards.

Membership in Free Trade Arrangements

Although Taiwan is currently not a member of any free trade organization, it has made much progress in its attempt to join international organizations in recent years. Taiwan has applied to join the WTO and its application is being handled by a WTO working party. Taiwan has held bilateral talks with WTO members on tariff reductions and market liberalization issues, and those talks are now near completion. Taiwan became a member of the Asia Pacific Economic Cooperation (APEC) in November, 1991. Taiwan became a member of the Central American Bank for Economic Integration in 1992. Taiwan is also a member of the Asian Development Bank (ADB). In addition, Taiwan is an active

participant in the Pacific Economic Cooperation Council (PECC) and the Pacific Basin Economic Council (PBEC).

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CHAPTER VII: INVESTMENT CLIMATE

Over the past few years, Taiwan has implemented numerous measures designed to liberalize its economy and improve its investment environment in a manner consistent with its goals of joining the World Trade Organization (WTO) and developing the island into an Asia-Pacific regional operations center. Taiwan completed its bilateral consultations for accession to the WTO and now is working to facilitate completion of its multilateral working party report. Cross-strait tension in 1996 did not deter foreign investors from coming to Taiwan, but the East Asian financial crisis, which began in the middle of 1997, did contribute to a slowdown in capital inflows during 1998. Foreign firms investing in Taiwan are generally accorded national treatment, trade-related capital flows are basically unrestricted and there currently are no known foreign investment disputes in Taiwan. Most export performance and local-content requirements have been removed. While some foreign-ownership limits remain, they have been substantially relaxed. Portfolio investment has been opened to both institutional and individual foreign investors. Foreign portfolio investors are still subject to restrictions on ownership in listed companies but these limits will be amended to meet national treatment standards prior to the end of 2000. Foreign investors are also subject to restrictions on investment funds. Taiwan has a comprehensive legal system that protects foreign investments and property rights. It also ensures fair competition. Taiwan is a stable multi-party democracy. Entry for white-collar foreign workers has been relaxed substantially. However, labor disputes did rise substantially in 1997 and 1998 as an increase in business closures and a step-up in the pace of privatization led to more layoffs.

Openness to Foreign Investment

Taiwan has long encouraged and facilitated direct foreign investment. Regulations affecting foreign-invested enterprises are generally transparent and non-discriminatory. The authorities have taken a number of steps to improve the investment climate, especially for service industries. All foreign-ownership limits on construction, real estate development and brokerage, banking, insurance, finance, securities, and futures industries have been lifted. Indeed, in one type of entity, the securities-investment trust company, a minimum foreign-ownership of 20 percent is required. For power generation, the foreign ownership is limited to no more than 50 percent.

In the middle of 1997, foreign shipping companies were permitted to set up branch offices on the island. Since then, the limit on equity participation by foreign-invested firms in shipping companies, shipping agents, marine cargo forwarders, ground-handling firms, air-cargo terminals, air-catering companies, and air-cargo forwarders has been raised from 33 percent to 50 percent. The foreign-ownership limit remains at 33 percent for domestic airlines. In early 1998, the United States and Taiwan initialed a bilateral

World Trade Organization (WTO) accession agreement which will significantly open the Taiwan market to foreign trade and investment. For example, the agreement will lead to reduced inter-connect fees for U.S.-invested mobile-phone companies, and will eventually increase the foreign-ownership limit in a telecommunications firm from 20 to 60 percent. A similar foreign-ownership limit on cable TV networks was raised from 20 percent to 50 percent in January 1999. Satellite broadcasting was opened to foreign investment in early 1999 when the Satellite Broadcasting Law was enacted, and such investments will be subject to a 50-percent foreign ownership limit. Taiwan has firm plans to further liberalize wireline telecommunications in 1999.

Taiwan created a negative list in 1990 with clearly specified industries which were closed to foreign investment. However, as a result of bilateral consultations for Taiwan's accession to WTO as well as Taiwan's own liberalization initiative to build a regional operations center, the restricted list has been cut significantly almost every year since then. For example, power generation, oil refining, piped-gas supply, telecommunications, real-estate development, trucking, container-train operations, and car leasing have been opened to foreign investment. Foreign investment is currently prohibited in industries such as agriculture, forestry, fishing, pesticides, explosives, fire arms, military instruments, postal services, postal savings, wireless broadcasting, and electricity distribution. Under Taiwan's WTO commitments, legislation is pending which will open foreign investment and ownership in cigarette manufacturing and liquor, wine, and beer production. This legislation could pass in 1999.

Foreign investment is principally based on the Statute for Investment by Foreign Nationals (SIFN) and the Statute for Investment by Overseas Chinese (SIOC). These two laws permit foreign investors to invest in foreign currency as well as in NT dollars. Joint ventures, re-invested by foreign-owned Taiwan companies, with foreign ownership below 33 percent are exempted from limitations applicable to industries on the negative list. Both the SIFN and the SIOC specify that foreign invested enterprises must receive the same regulatory treatment accorded their local counterparts. Foreign companies may invest in firms undergoing privatization. They are also eligible to participate in public-financed research and development programs.

Applications for investment approvals, acquisitions, and mergers are screened by the Ministry of Economic Affairs' Foreign Investment Commission (FIC) to determine whether the investment is subject to the restrictions mentioned above. FIC approval is generally granted within two working days for an investment below NT\$500 million, or within three days for an investment below NT\$1 billion. Investment with an amount exceeding NT\$1 billion (US\$31 million at an exchange rate of NT\$32.5 per US dollar) are screened by an inter-ministerial commission. Processing generally takes about five to six weeks because no commission meeting is called unless 10-20 cases are pending for review. The Taiwan authorities plan to cut this processing time by authorizing the FIC chairman or secretary general to review projects with an investment value exceeding NT\$1 billion. Screening is routine and non-discriminatory.

Taiwan offers a number of incentives to encourage investment, including accelerated depreciation and tax credits for investment in pollution-control systems, production automation and energy conservation. Equipment for R&D purposes can be brought into Taiwan duty-free. Other incentives include low-interest NT dollar and/or foreign currency loans for developing new and/or cutting edge products, upgrading traditional industries, and importing automation or pollution-control equipment. A broad five-year tax holiday for

new investments, abolished in January 1991, was re-instituted in January 1995.

Right to Private Ownership and Establishment

Private investors have the general right to establish and own business enterprises, except in industries involving either national security or state-owned monopolies. Private entities have the right to freely acquire and dispose of interests in business enterprises. With the exception of sectors controlled by state monopolies, private business firms have the same access as state-owned companies to markets, credit, licenses and supplies.

Protection of Property Rights

Taiwan has a comprehensive legal system that protects and facilitates the acquisition and disposition of property. A full range of criminal and administrative relief is available to rights holders. Criminal sentences, including jail terms for egregious cases, are routinely meted out by Taiwan courts in intellectual property rights (IPR)-related cases. Civil damage compensation is also available. Institution of export monitoring procedures for computer-software products and trademark goods appears to have helped deter to some extent the export of pirated and counterfeit goods. In response to requests from the U. S., the Taiwan authorities plan to require imprinting the source identification (SID) code on all compact diskettes beginning July 1999. While Taiwan is not a member of the Bern or Paris Conventions, it generally adheres to the principles embodied in those agreements.

Taiwan's copyright, patent, trademark, trade secret and integrated circuits laws already provide a level of protection for rights holders that meets most international standards. Enforcement in some cases has been weak. The Copyright Law, Patent Law and Trademark Law were further amended in 1997 by the Taiwan authorities to conform with all TRIPS standards in fulfillment of its commitments made during the process of WTO accession negotiations with the United States and other trading partners. However, the amended part of the Patent Law will not go into effect until Taiwan accedes to the WTO.

Performance Requirements and Incentives

The Taiwan authorities impose few performance requirements on foreign-invested firms. Like domestic firms, however, foreign-invested companies must locate in areas zoned for appropriate industrial or commercial use and are subject to restrictions on the number of foreign employees that can be hired. Tax credits and tax breaks are offered to encourage the introduction of new technology into Taiwan. Tax credits are also offered to encourage locating in less-developed areas of Taiwan. Subsidies of up to one-half of total expenditures are offered for R&D ventures. Taiwan does not require that firms transfer technology, locate in specified areas, or hire minimum numbers of local employees as a prerequisite to obtaining investment permission.

Manufacturing firms located in export-processing zones and science-based industrial parks are, in principle, required to export all of their production in exchange for tariff-free treatment of production inputs. However, these firms may sell all of their production on the domestic market upon payment of relevant import duties.

Local-content requirements (LCRs), abolished for most industries in 1986, remain in place for motor vehicles. Thirty-one percent local content is required for heavy-duty vehicles over 10 tons, 37 percent for heavy-duty vehicles of 3.5-10 tons, 50 percent for sedans, small trucks, and vans, and 90 percent for motorcycles. The LCR for sedans was lowered to 40 percent in January 1999. Taiwan has committed to abolishing all of the remaining local-content requirements upon its accession to WTO.

Transparency of the Regulatory System

Taiwan's laws and policies generally foster competition. Taiwan has a set of relatively comprehensive laws and regulations to govern taxes, labor, health and safety.

Bureaucratic procedures associated with investment applications are relatively few and transparent. The Industrial Development and Investment Center (IDIC) functions as the coordinator between investors and all agencies involved in the investment process. The Foreign Investment Commission (FIC) is charged with reviewing and approving inward and outward investments.

The work-permit issuance procedure for foreign white-collar employees is simple. Foreign-invested manufacturing firms can obtain work permits from the FIC in 3 to 4 days. Workers for domestic firms and investors in non-manufacturing enterprises are required to obtain work permits through the agency in charge of that particular sector (e.g., the Ministry of Justice for foreign legal consultants), but may submit applications to the FIC for transmission to the relevant agency. The "Employment Service Law" as amended in May 1997 allows foreign white-collar employees to extend indefinitely their work permit as long as the employer considers such employment necessary. The "Immigration Law" as amended in May 1999 grants foreign white- and blue-collar workers with a right to obtain permanent residence status after they have legally stayed in Taiwan for seven years.

The entry-visa issuance procedures for foreign white-collar workers who work for foreign-invested companies are relatively simple. A foreign executive who enters Taiwan with a tourist visa is not required to leave the island before the tourist visa can be changed to an employment visa. A foreign executive whose employment visa expires is not required to exit before the visa is renewed.

Corruption

Taiwan has implemented laws, regulations, and penalties to combat corruption. The anti-corruption statute, known as the "Corruption Punishment Statute," and the "Criminal Code" contain specific provisions which establish penalties for corrupt activities.

Although corruption has been a source of complaint by U. S. business-people with operations in Taiwan, its impact on foreign direct-investment decisions has been relatively less serious than in areas such as public procurement. We are not aware of cases where bribes have been solicited in order to obtain approval for an investment. The Taiwan authorities welcome and encourage foreign investment and would take severe action against officials and individuals convicted of profiting illegally from foreign investors.

Corruption has been reported as most pervasive in the area of government procurement, particularly in public-sector construction projects. Local-level construction tenders seem to have the highest level of corruption. The

authorities have been investigating alleged corrupt procurement practices at both the provincial and central levels. These investigations have resulted in only a few convictions.

The authorities generally investigate allegations of corruption and take action to penalize corrupt officials. Several township mayors were indicted for illegal rent seeking in garbage-disposal and public-works construction projects. In May 1999, a district court sentenced the former mayor of Tainan City to an eight-year jail term for seeking to profit from a large community development project. The former chief of the engineering department received a seven-year sentence under the same case. Also in May 1999, the prosecutor's office indicted the incumbent deputy speaker of the Miaoli County Council for corruption and document forgery in an illegal waste dumping case. The prosecutor's office requested the court to sentence him to a 15-year jail term along with 18 others for 6 - 15 years in jail.

Attempting to bribe or accepting a bribe from Taiwan officials constitutes a criminal offense, punishable under the "Corruption Punishment Statute" and the "Criminal Code." Payment of a bribe to a foreign official is not deemed a criminal act. However, if a Taiwan business representative bribes a foreign official, that representative's company may bring civil action against the offender. Such a bribe, moreover, cannot be legally deducted from taxes.

The maximum penalty for corruption is a life sentence plus a maximum fine of three million NT dollars (US\$100,000). In addition, the offender may be barred from public office. The assets obtained from acts of corruption may be seized and turned over to either the injured parties or the Treasury.

The Ministry of Justice has a mandate to combat and investigate corruption. In addition, each public office has a special unit charged with handling anti-corruption activity. Taiwan has carried out a high-profile campaign against corruption with the designated purpose of eliminating the investment barrier of corruption.

Labor

Taiwan has an ample supply of well-educated and skilled workers. However, labor shortages still exist in some rapidly expanding fields, including semiconductor and computer chip design and production, computer software design, and in telecommunications engineering. The supply of unskilled workers remains relatively tight in consumer electronics, pottery, metal pressing, and public construction works. However, the tight labor supply problem for such industries as garments and apparel, umbrella, footwear, dyeing, and finishing has improved as many such businesses have relocated overseas. As a result, the number of alien workers in Taiwan, rising from 250,000 persons in 1997 to 270,000 persons in 1998, remained at 272,000 persons in February 1999.

Business performance was affected in the second half of 1998 by the East Asian financial crisis, sending Taiwan's unemployment rate from 2.4 percent in the first quarter of 1998 to nearly three percent in the third quarter and 2.9 percent in the last quarter. Improvement in business performance in early 1999 contributed to a decline in unemployment to 2.8 percent but the authorities still consider this to be too high. The Council of Labor Affairs (CLA) is implementing a policy to lower the unemployment rate to the two-percent level. To reach this goal, the CLA began in 1998 to freeze employment of alien maids and will cut the number of alien blue-collar

workers hired by the manufacturing and construction firms by 10 percent every year. "Major public construction works" and large private projects each having an investment exceeding NT\$200 million will not be subject to such a reduction. Also exempt from such a cut will be alien nursing workers.

There are no special hiring practices in Taiwan, but wages include at least a one-month bonus at the end of the year; fringe benefits often include meals, transportation, and dormitory housing. Dividend-sharing is common among high-tech industries, especially business firms located at science-based industrial parks. A standard labor insurance program is mandatory. The program provides maternity, retirement, and other benefits. A universal national health insurance system, which went into effect in March 1995, has replaced the health insurance aspects of the labor-insurance program. The system has expanded coverage to include the families of employees. The combined premium cost of the two programs to an employer is, on average, two to three times greater than the cost of the previous labor-insurance program (costs vary according to workers' monthly salaries).

Taiwan expanded the labor insurance program to include unemployment insurance in January 1999 without increasing the premium. A worker losing a job due to plant closure or a reduction in the work force is entitled to unemployment pay for a maximum period of six months, and the minimum monthly payment is NT\$15,840 (\$487). In the first four months of the program, 4,100 persons received such payments. The Labor Standards Law (LSL) sets a standard eight-hour work day and 48-hour work week. The CLA plans to cut the weekly working time to 44 hours two years after the LSL is amended. In January 1998, the public sector implemented a five-day-workweek for two weeks each month. About half of Taiwan's business firms had adopted the new system by early 1999. The LSL restricts child labor, and requires employers to provide overtime pay, severance pay, and retirement benefits. LSL coverage was expanded from the manufacturing sector to include the entire service sector from the beginning of 1999. The authorities can impose criminal penalties (jail term) and administrative punishment (fines) for labor-law violations.

The minimum wage is set at NT\$15,840 (or \$487 at the exchange rate of NT\$32.5 per US dollar) per month. Current manufacturing sector wages average NT\$36,244 (\$1,115). The minimum wage is adjusted in August every year based on the results of collective negotiation between the Chinese National Federation of Industries and the Chinese Federation of Labor.

Labor unions have become more active and independent since martial law was lifted in 1987. Poor business performance due to financial turmoil over the past two years has driven up the number of workers involved in labor disputes from 21,600 persons in 1996 to 81,000 persons in 1997 and 103,500 persons in 1998. These figures can be attributed to increased business closures and continued privatization and downsizing of state-owned enterprises. Taiwan is not a member of the International Labor Organization (ILO), but it generally adheres to the ILO convention on protecting worker rights.

Capital Markets and Portfolio Investment

A wide variety of credit instruments, all allocated on market terms, are available to both domestic- and foreign-invested firms. Legal and accounting systems are transparent and consistent with international standards. The regulatory system is generally fair. Foreign investors are subject to some ownership and investment-fund limits. In recent years, the Taiwan authorities have taken a number of steps to encourage the more efficient flow of financial resources and allocation of credit. The limit on NT dollar

deposits that a branch of a foreign bank may take has been lifted. Non-residents have been permitted to open NT-dollar bank accounts, which are subject to capital-flow controls. Limits on branch banking have been lifted. Restrictions on capital flows relating to portfolio investment have been removed. The insurance and securities industries have been liberalized and opened to foreign investment. Access to Taiwan's securities markets by foreign institutional investors has also been broadened.

Taiwan has a complicated regulatory system governing portfolio investment. Officially approved "qualified foreign institutional investors" (QFIIs), including large banks, insurance companies, securities firms and mutual funds, can engage in portfolio investment. In March 1996, portfolio investment was opened to individual foreign investors and foreign companies other than QFIIs. However, foreign investors are still subject to portfolio-investment limits of US\$5 million for an individual foreign investor, US\$50 million for a non-QFII foreign company, and US\$600 million for a QFII. Since March 1996, QFII capital flows have no longer been subject to restrictions. Non-QFII foreign investors may move their capital freely as long as the amount comes below US\$5 million for an individual foreign investor and US\$50 million for a non-QFII foreign company.

Taiwan has legal limits on foreign ownership in companies listed on the Taiwan Stock Exchange (TAIEX). The authorities raised the limits to 50 percent in March 1999, up from 15 percent for a single foreign investor and 30 percent overall. The financial authorities plan to totally eliminate foreign ownership limits by the end of 2000 except for a number of industries, including telecommunications, banks, and mass media companies. There have been no reports of private or official efforts to restrict the participation of foreign-invested firms in industry standards-setting consortia or organizations.

Taiwan has a tightly regulated banking system. Since the mid-1980s, the financial sector as a whole has been steadily opening to private investment. Nevertheless, the share held by foreign banks remains relatively small. The establishment of many new securities firms, banks and insurance companies has underscored this liberalization trend and enhanced competition. Three large provincial banks were privatized in early 1998, cutting the number of public banks to eleven. Privatization has cut the share of assets controlled by public banks down from 61 percent of total assets of all domestic and foreign banks to 44 percent. The total assets of these eleven public banks were \$261 billion as of December 31, 1998.

Conversion and Transfer Policies

There are relatively few restrictions on converting or transferring funds associated with direct investment. Foreign investors with approved investments can readily obtain foreign exchange from a large number of designated banks. The remittance of capital invested in Taiwan is made according to a schedule submitted by the company to the FIC. Declared earnings, capital gains, dividends, royalties, management fees, and other returns on investments can be repatriated at any time. Capital movements arising from trade in merchandise and services, as well as from debt servicing, are not restricted. For purposes other than trade, no prior approval is required if the cumulative amount of inward or outward remittances is less than US\$5 million for a person, and US\$50 million for a corporation (including foreign-invested enterprise). No delay in remitting investment returns or principal through legal channels has been reported.

An outward investment may not exceed 40 percent of the investing company's net worth or paid-in capital (whichever is less) unless such an investment project is approved by its shareholders. A local company is not required to obtain prior approval for overseas investments; however, such an approval waives the company from an annual capital outflow limit of NT\$50 million. Prior approval is required for all investments in Mainland China, and such investments must first go through a third location.

The Taiwan authorities have actively encouraged investment in Southeast Asian nations, especially after financial turmoil erupted in these countries in July 1997. Investments are also encouraged in a number of countries with which Taiwan has diplomatic relations, mainly in Central America. Incentives include loans and/or overseas investment insurance with the Export-Import Bank of China.

Expropriation and Compensation

Taiwan law stipulates that no venture with 45 percent or more foreign investment can be nationalized for a period of 20 years after the venture is established. Moreover, Taiwan law stipulates that expropriation can be justified only for national defense needs, and that "reasonable" compensation shall be given. No foreign-invested firm has ever been nationalized or expropriated. No examples of "creeping expropriation" or official actions tantamount to expropriation have been reported.

Dispute Settlement

Taiwan is not a member of the International Center for the Settlement of Investment Disputes or the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards. However, investment disputes are not common. Normally, Taiwan resolves disputes according to domestic laws and regulations.

Taiwan has comprehensive commercial laws, including a Company Law, Commercial Registration Law, Business Registration Law, Commercial Accounting Law and laws for specific industries. Taiwan's Bankruptcy Law guarantees that all creditors have the right to share the assets of a bankrupt debtor on a proportional basis. Secured interests in property, both chattel and real, are recognized and enforced through a reliable registration system.

Taiwan's court system is independent and free from interference by the Executive Branch. The judgments of foreign courts with jurisdictional authority are enforced in Taiwan by local courts on a reciprocal basis.

Political Violence

Taiwan is a relatively young multi-party democracy, with stable, though still evolving, democratic political institutions. Major civil disturbances, insurrections, or other serious threats to the political system are unlikely. There have been no reports of politically motivated damage to foreign investment. Both local and foreign companies have, however, been subject to protests and demonstrations relating to labor disputes and environmental issues.

Bilateral Investment Agreements

Taiwan has concluded bilateral investment agreements with the following countries: Argentina, Belize, Burkina Faso, Costa Rica, Dominica, El

Salvador, Honduras, Indonesia, Latvia, Malaysia, Malawi, the Marshall Islands, Nicaragua, Nigeria, Panama, Paraguay, the Philippines, Senegal, Singapore, Swaziland, Thailand, and Vietnam.

Under the terms of the 1948 Friendship, Commerce, and Navigation Treaty with the United States, U.S. investors are generally accorded national treatment and are provided a number of protections, including protection against expropriation. Taiwan and the United States also have an agreement, signed in 1952, pertaining to investment guarantees which serves as the basis for the U. S. Overseas Private Investment Corporation (OPIC) program in Taiwan. In September 1994, representatives of the United States and Taiwan signed a bilateral Trade and Investment Framework Agreement (TIFA) to serve as the basis for consultations on trade and investment issues. Consultations on a bilateral-investment agreement between the United States and Taiwan are underway.

OPIC and Other Investment-Insurance Programs

OPIC programs are available to U.S. investors, though U.S. investors have never filed an OPIC insurance claim for an investment in Taiwan. Taiwan is not a member of the Multilateral Investment Guarantee Agency.

Foreign-Direct-Investment Statistics

Statistics on foreign direct investment in Taiwan are available from two sources. The Foreign Investment Commission (FIC) publishes monthly and yearly foreign investment approval statistics by industry and by country. The Central Bank of China (CBC) publishes foreign-direct-investment arrivals on a quarterly and yearly basis. CBC data, contained in balance-of-payments statistics, are not further classified by industry or country.

The Asian Financial crisis, which wreaked havoc in East Asia from July 1997, created aftershocks in Taiwan in late 1998. Foreign investment inflows in 1998 plunged 90 percent to US\$222 million. Meanwhile, foreign investment approvals declined 12 percent to US\$3.7 billion. The discrepancy between these figures is accounted for by the cancellation or delay of planned investment projects.

Cumulative foreign-investment approvals from 1952 to 1998 totaled US\$33 billion. Of this amount, one-quarter was directed toward the electronics and electrical industries. Other industries with relatively heavy foreign investment include chemicals, banking and insurance, services, trade, and basic metals.

The United States is the top foreign investor in Taiwan, while Japan is a close second. Approvals for U.S. investment from 1952 to 1998 totaled US\$8.3 billion, or 25 percent of total foreign investment. Forty-one percent of U.S. investment was directed toward the electronics and electrical industries, with another 15 percent in chemicals. Approvals for Japanese investment amounted to US\$8 billion, or 24 percent of total foreign investment. Of total Japanese investment, 27 percent was in electronics and electrical industries, and 22 percent in services and trade. A growing number of multinational corporations direct funds for their Taiwan investments from tax havens in the British Territories in America (BTA). Approvals for investment from BTA surged from US\$151 million in 1995 to US\$711 million in 1998, less than the US\$952 million from the United States but more than US\$540 million from Japan.

Taiwan is aggressively pursuing cooperation agreements with foreign companies to encourage those firms to make Taiwan their "regional operations center" for East Asia. Of the 63 strategic-alliance agreements with multinational firms (many of which have a technology-cooperation component), 60 have been signed with U.S. companies. Forty-three percent of the agreements have been designed to manufacture or develop electronics or electrical and telecommunications products and systems. Nearly ten percent are focused on development of the aerospace industry.

As a relatively open and liberal economy, Taiwan receives foreign investment while its businesses heavily invest overseas, especially in the PRC, Southeast Asia and America. Outward direct investment has exceeded inward direct investment since 1988, according to balance-of-payments statistics compiled by the Central Bank of China. FIC statistics show, as of 1998, that cumulative approvals for outward investments totaled US\$32 billion. Mainland China has been one of the main recipients of Taiwan investment. However, a policy designed to discourage such investments was adopted after the PRC conducted missile tests in the Taiwan Straits in 1996-1997. As a result, approvals for 1998 investment in the PRC have dropped by half from the 1997 level. On the other hand, a growing number of Taiwan investors have moved to tax havens in the British territories in America. Approvals for investment there shot up from US\$370 million in 1995 to US\$1,838 million in 1998, more than three times the amount headed for the United States. This coincides with a sharp increase in foreign investment in Taiwan coming from these British Territories in the recent years. Rumor has it that some Taiwan investors have applied to invest in Taiwan as foreign investors in an attempt to evade Taiwan taxes. However, the FIC claims that it has not found credible evidence of such tax evasion.

CHAPTER VIII: TRADE AND PROJECT FINANCING

The Banking System

Taiwan has a Central Bank, 45 domestic banks (with 2,115 branch offices), six medium business banks (with 355 branch offices) and 46 foreign banks (with 72 local branches). There are also 52 credit cooperatives, 287 farmers' credit unions, and 27 fishermen's credit unions in Taiwan. These banks, cooperatives, and credit unions have traditionally played a dominant role in finance on the island.

The Central Bank performs all of the functions normally associated with central banks in other countries. It issues currency, manages foreign-exchange reserves, handles treasury receipts and disbursements, sets interest-rate policy, oversees the operations of other financial institutions, and serves as a lender of last resort.

Taiwan's 45 domestic banks offer a wide range of services including receiving deposits, making loans, handling trade financing and providing guarantees, and discounting bills and notes. Most are also involved in the securities business, underwriting and trading securities and managing bond and debenture issues, as well as in providing savings-account facilities. The Chiao Tung Bank assists with long-term financing for industries and projects, while the Export-Import Bank and the Farmers' Bank focus respectively on trade financing and agricultural development.

Foreign banking institutions are playing an increasingly important role on the financial scene. Foreign banks are treated essentially as domestic commercial

banks; they are permitted to engage in trade financing, foreign-exchange dealings, lending to individuals and corporations, and various kinds of trust business. In order to build greater overall market presence, many foreign banking institutions are currently concentrating on the development of consumer loan and credit card business.

Foreign-Exchange Controls

There are no foreign-exchange (FX) amount limitations for trade, insurance and authorized-investment transactions. Similarly, there are no FX limitations on repatriating capital and profits related to direct and portfolio investment, providing that such investment has been permitted or approved by the Taiwan authorities. All other transactions involving inward or outward remittances for domestic firms have a US\$50 million annual ceiling per account. Individuals are allowed to remit a maximum of US\$5 million yearly to or from overseas. The authorities are committed to liberalize these limitations on a gradual basis after Taiwan accedes to the World Trade Organization.

Financing Availability

Importers are usually responsible for arranging their own financing. Assistance from the Taiwan authorities is, however, available in certain cases. The Export-Import Bank, for instance, provides loans of up to 85 percent of the total contract value on sophisticated machinery and other high-technology items. Loans are also available for imports of natural resources, raw materials and spare parts. Such loans can be granted for equipment and materials employed in the manufacture of goods for export, as well as for those used in the production of sophisticated equipment or the development of advanced technologies.

Methods of Payment

Bank-to-bank Letters of Credit (L/C) constitute Taiwan's most important import-payment process. In 1998, Taiwan's imports totaled US\$104.7 billion, of which US\$49.8 billion was financed through L/Cs. On a lesser scale, company to company payments are made via open account (O/A), documents against payment (D/P), and documents against acceptance (D/A). The AIT Commercial Section recommends that U.S. exporters minimize financial risk by requiring their Taiwan trading partners to finance their imports through L/Cs. A large majority of Taiwan's importers utilize L/Cs with validity of up to 180 days. On the whole, U.S. companies find Taiwan's financing system to be efficient and report no widespread pattern of deferred payment.

Banks authorized to handle foreign exchange may issue L/Cs. This includes local banks (and their branch offices), 14 U.S. banks and their branches, and 32 third-country banks. All banks in Taiwan that are authorized to handle foreign exchange have extensive ties with one or more U.S. banks. This relationship includes test-key exchanges.

Project Financing

Taiwan does not rely on money from multilateral institutions to facilitate investment projects. In the public sector, the Taiwan authorities rely heavily on bond issuance to cover the huge outlays connected with construction of major public works. Beginning 1997, some major public projects were opened to private investment on a build-operate-transfer (BOT) basis. Construction of a high-speed railway from Taipei to Kaohsiung was for the first time consigned to a business consortium that will seek syndicated loans mainly from local sources to

finance the project. Private investment projects can easily be financed through banks on the island. Moreover, many Taiwan investors, especially large-sized companies, employ financial instruments (including corporate bonds) to raise funds in capital markets both at home and abroad.

Major Banks with Correspondent U.S. Banking Arrangements

- Bank of Taiwan
- International Commercial Bank of China
- Chiao Tung Bank
- Export-Import Bank
- Farmers Bank of China
- Taipei Bank
- Taiwan Cooperative Bank
- Chang Hwa Commercial Bank
- First Commercial Bank
- Hua Nan Commercial Bank
- Chinatrust Commercial Bank
- Shanghai Commercial & Savings Bank
- United World Chinese Commercial Bank
- Bank of Overseas Chinese

CHAPTER IX: BUSINESS TRAVEL

Business Customs

Formal business introductions in Taiwan are not complete without an exchange of business cards. It is advisable for foreign visitors to have their cards printed in both English and Chinese. There are numerous printers in Taiwan specializing in printing these indispensable business aids. They offer accurate, low-cost service, with card orders normally being filled within only a few days. Since cards are required on nearly every business occasion, it is a good idea to carry sizable numbers of them at all times.

The New Taiwan dollar (NT\$) is the official currency. It is circulated in one-, five-, ten-, and fifty-dollar coins, and fifty, one-hundred, five-hundred, and one-thousand dollar notes. Since the relaxation of foreign currency controls in 1987, exchange between foreign currency and the NT\$ has become relatively free, although exchange is still limited to authorized banks and dealers.

Up to NT\$40,000 and US\$5,000 can be brought into Taiwan by a foreign visitor. Such large amounts should, however, be declared on the customs slip that must be filled out upon entering the island. Foreign currency can be exchanged at the airport, as well as at authorized banks, hotels and shops. In addition, internationally recognized credit cards are accepted in many hotels, restaurants and shops. The use of automatic-teller machines is very popular on the island also. It should be noted that a surcharge is sometimes added when payment is made by credit card.

In most instances, tipping is not necessary. A 10-percent service charge is usually added to restaurant and hotel bills, eliminating the need for gratuities in such situations. It is, however, relatively common to leave the change when a bill is paid.

Porters at hotels and airports customarily receive tips for their services. Approximately NT\$50 - NT\$100 per item of luggage is acceptable. It is not

necessary to tip in taxis unless assistance with luggage is rendered, but most drivers do appreciate being allowed to keep small change.

Travel Advisory and Visas

Taiwan has low-level of violent crime. Although visitors should take precautions to prevent violence, most streets of Taipei and other cities are generally safe at any hour. While violent crime is rare, Taiwan's pickpockets and thieves are extremely clever, so valuables should be properly secured. Taxi drivers, restaurateurs, store clerks and other service people are normally quite honest and often solicitous of the needs of the non-Chinese speaking foreign guest. The people of Taiwan are generally outgoing toward foreigners and often will go out of their way to assist visitors.

U.S. citizens and citizens of fourteen other nations may visit Taiwan for up to fourteen days without a pre-arranged visa, provided they have a return plane ticket off the island with reservations. Other visitors to Taiwan are required to have valid Taiwan visas. These can be obtained from authorized representative offices in the United States. Two basic types of non-official visas are available to foreign visitors, depending upon the nature and duration of intended visits.

Extensions of visitor visas may be granted up to a maximum of two extensions of sixty days each, provided applicants have valid grounds for making such requests. Applications for visa extensions are administered at the city or county police department. No extensions are granted to those who enter Taiwan without a pre-arranged visa except in the event of force majeure or matters of vital importance.

Foreign visitors from nations with which Taiwan has reciprocal visa agreements receive visitor visas free-of-charge. The visa fee for those from other countries is NT\$1,000 for a single-entry visa and NT\$2,000 for a multiple-entry visa.

A one-year multiple-entry visitor visa is available to a representative of a foreign company that has recorded total import and export transactions with Taiwan amounting to US\$600,000. Up to four such visas can be granted to foreign employees of any one company, with an additional US\$600,000 in total transactions being necessary to qualify for each of these visas. Six-month and three-month multiple-entry visitor visas are available for respective transaction amounts of US\$300,000 and US\$100,000. Applications for multiple-entry visitor visas must be referred to the Ministry of Foreign Affairs. Normally, foreign nationals make application through their domestic Taiwan agents, representatives or affiliates of their firms.

Holidays

There are four holidays and four festivals in Taiwan. Dates for the four festivals -- Chinese Lunar New Year day, Tomb-Sweeping Day, Dragon Boat Festival, and Mid-Autumn (Moon) Festival -- change with the lunar calendar. The following is a list of the four holidays and four festivals in Taiwan:

Holidays	Date in 2000
-----	-----
Founding Day	January 1
Chinese Lunar New Year	February 4 - February 8
Peace Memorial Day	February 28
Tomb-Sweeping Day	April 5

Dragon Boat Festival
Mid-Autumn Festival
Double Tenth/National Day
Dr. Sun Yat-Sen's Birthday

June 6
September 12
October 10
November 12

Business Infrastructure

Transportation: Taiwan has two international airports, Chiang Kai-shek (CKS) airport in Taoyuan, 40km southwest of Taipei, and Kaohsiung in the south. CKS airport is the primary gateway to the island. It generally takes about one hour from CKS airport to Taipei City. Airport buses to Taipei depart from the airport every 15 minutes, and tickets cost NT\$120 per person. Buses from the airport to Hsinchu, Taichung, Changhua, Tainan and Kaohsiung are also available. Taxis are available at the airport. A 50 percent surcharge is added to the meter fare. Total cost by taxi from the airport to Taipei is about NT\$1,000. Many large hotels offer car or mini-bus services from the airport to Taipei. However, it is necessary to arrange such service when booking hotel reservations. Kaohsiung airport also offers regular flights to major destinations in the region. There are also several domestic airports and domestic airlines that provide fast and convenient connecting flights between Taiwan's larger cities, as well as its outlying islands.

Taiwan also has five international seaports with modern facilities: Keelung in the north, Taichung in the west, Kaohsiung in the south, and Susao and Hualien in the east. The Kaohsiung Harbor is the world's third largest in terms of loading and unloading volumes.

Taxis are widely available in Taipei and other major cities. For most cities, the meter is used to calculate the fare. The basic charge is NT\$70 for the first 1.65 kilometers, with an additional NT\$5 for every additional 350 meters. There is an additional charge of NT\$20 added to the fare shown on the meter. In addition, there is also an additional NT\$5 charge for every three minutes the vehicle travels below a speed of five kilometers per hour. A 20 percent nighttime surcharge is added between 11 pm and 6 am as well. Several taxi services that can be booked over the telephone are also in operation. A surcharge of NT\$10 is applicable on such calls. These services are generally considered safer and more reliable than individual taxis. All taxis have a surcharge of NT\$10 for luggage service, and there is a surcharge of 20 percent in effect for two days before the eve of the Chinese New Year until the end of that holiday period. Since most taxi drivers cannot speak English, the visitor should always carry Chinese-language versions of both his hotel name card and desired destination.

Taipei now has three Mass Rapid Transit Systems (MRT), including the Mucha, Tamsui and Chungho routes, in operation. Fares of NT\$35 - NT\$80 are charged for a full-route ride on the three lines. There will be a total of eight lines to form a transportation network connecting downtown Taipei with the suburban areas of Nucha, Tamsui, Hsintien, Chungho, Nankan, Panchiao, Tucheng and Neihu in the foreseeable future.

Bus services in major cities are extensive, but can be incomprehensible to the foreign visitor. A comprehensive long-distance bus system run by the Taiwan Auto-Transport Company and Tong-Lieng Bus Company enables people to travel virtually anywhere on the island quickly, comfortably and at reasonable cost. The Taiwan Railway Administration operates an extensive rail network that is more than 1,000 kilometers in length.

Language: Mandarin is the official language. Taiwanese is also commonly spoken, especially in the southern and rural areas. English is by far the most popular foreign language, and large numbers of people speak it with fluency. In particular, those working in hotels, business, or public organizations are likely to have a good command of the language. Moreover, many people, especially those educated before the Second World War, can also speak Japanese.

Communications: In general, Taiwan's telecommunications systems are efficient and convenient. Cities in Taiwan are plentifully supplied with blue public phones that can be used for both local calls and domestic long-distance calls. Phone-card telephones have recently proliferated. Cards can be purchased from the convenience stores. Cellular phones are becoming increasingly popular since the Ministry of Transportation and Communications liberalized the market in December 1997. Many operators have offered preferential rates or package sales. The Global System for Mobile Communications (GSM) has been used for the phone service. Facsimile is widely used everywhere in Taiwan. Direct transmission is available to many countries in the world as well. Most major companies, hotels and business service centers have facsimile and telex services. Telex and facsimile facilities are also available at the Chungwa Telecom-International Business Group (CHT-I), while an electronic mail service that enable users to send their own facsimile messages can be found in every post office on the island. In addition, CHT-I also has extensive videoconference facilities in its Taipei Communications Building. A commercial network called HiNet has been set up by Chunghwa Telecom to provide Taiwan users high-speed access to the Internet. Meanwhile, many networking companies provide various Internet services to satisfy the demand from domestic businesspeople and firms. In addition, the Integrated Services Digital Network (ISDN), which provides end-to-end and non-voice services, is now available from Chunghwa Telecom in Taipei, Taichung, Tainan and Kaohsiung.

Postal Service: Taiwan has an efficient postal system. Surface mail is normal delivered to any part of the island within one or two days, and a special delivery service is available that features delivery six to eight hours after posting, depending on destination.

International Courier Services: In addition to the vast range of government postal services available in Taiwan, visitors should also be aware that most of the leading international courier services have set up operations on the island. They offer delivery to and from most countries around the world. More detailed information concerning these firms can be obtained by consulting the telephone directory or one of the many privately published business directories available on the island.

Accommodations and Housing: Taiwan has a large number of international- and domestic-standard hotels, hostels and inns. For those who plan to stay in Taiwan on a long-term basis, a wide selection of apartments and houses is available. Rental costs vary considerably, depending on location and size. Typically, rents in Taipei and environs are far higher than in other areas. Landlords frequently require deposits of up to three-months' rent, and tenants are usually responsible for utilities.

Health Information: As in many other tropical and sub-tropical areas, tap water in Taiwan should be boiled before drinking, although water quality is certainly improving in the major cities. Hotels and restaurants do provide drinking water, and bottled mineral water is widely available. Visitors should also take special care to wash all fruits and vegetables before eating and avoid eating in any of the island's countless street stalls, at least during the first few weeks of the stay.

There are several international-standard private and public hospitals and clinics. Taiwan also offers high-quality dental care, with most clinics being privately operated. The majority of doctors and dentists in Taiwan speak English well. Qualified foreign nationals with alien resident certificates and their family members can apply for coverage under the National Health Insurance Program (NHIP). This program incorporates the medical insurance coverage of 13 health care plans.

Many western brand-name pharmaceuticals are sold in Taiwan, often without prescription. In addition, a wide range of foreign and domestic over-the-counter non-prescription drugs is available. Visitors should, however, bring sufficient supplies of any specific medications they might require. Emergency medical treatment can be obtained by dialing 119.

Food: Chinese cuisine ranks among the best in the world, and there is no better place to sample it in all its infinite variety than in Taiwan. In countless large and small restaurants, specialties from almost every region can be found. Major regional styles include the Peking, Cantonese, Shanghai, Szechwan, and Hunan cuisines. The local Taiwan cuisine and traditional Buddhist vegetarian restaurants are also well represented.

Western food is gaining in popularity, as can be seen from the many western-style restaurants and foreign fast food chains that have set up branches in Taiwan's large cities in recent years. Visitors will find everything from hamburgers, pizza and steaks to the finest European cuisine.

Establishments serving other Asian cuisines can also be found in growing numbers in Taipei. Vietnamese, Thai, Indian, Malaysian, Korean and Japanese food are all big favorites with the city's residents, with the latter two being particularly popular.

Foreign visitors should not overlook the fragrant teas for which Taiwan is justly famous. These teas can either be purchased in attractive packages for use at home or sampled in one of the island's many traditional Chinese-style tea houses.

U.S. Business Travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel: (202) 512-1800; fax: (202) 512-2250. Business travelers to Taiwan seeking appointments with The American Institute in Taiwan should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at 886-2-2720-1550, fax at 886-2-2757-7162 or by e-mail at Taipei.Office.Box@mail.doc.gov.

CHAPTER X: ECONOMIC AND TRADE STATISTICS

Appendix A: Country Data

Population:	21.87 million (on 12/31/98)
Population Growth:	0.68 percent
Religions:	Buddhism, Confucianism, Taoism, Christianity
Government System:	Democracy
Languages:	Mandarin (official), Taiwanese, Hakka. Frequent use of English and Japanese in business settings.

Work Week: Monday - Saturday morning (As of January 1, 1998, government employees (except those who work for the police, health bureau and customs) and most private companies take every second and fourth Saturday of the month off.)

Appendix B: Domestic Economy
(US\$ millions, except where noted)

	1997 -----	1998 -----	1999(e) -----	2000(e) -----
GDP (current)	283,316	261,607	281,415	301,069
GDP Growth Rate (percent)	6.77	4.83	5.07	5.70
GDP Per Capita (US\$)	13,130	2,009	12,917	13,686
Government Spending as Percent of GDP	23.1	22.5	21.6	20.3
Inflation (percent)	0.9	1.7	1.1	1.9
Unemployment (percent)	2.7	2.7	2.7	2.7
Foreign Exchange Reserves	83,502	90,341	100,500	110,000
Average Exchange Rate for US\$ 1.00	28.70	33.46	32.73	32.73
Debit Service Ratio (Ratio of principal & interest on foreign debt to foreign income)	1.5-2.5%	1.5-2.5%	1.5-2.5%	1.5-2.5%

Sources:

1. Directorate General of Budget, Accounting and Statistics
2. Central Bank of China
3. AIT/T

Appendix C: Trade
(US\$ millions, except where noted)

	1997	1998(e)	1999(e)	2000(f)
	-----	-----	-----	-----
Total Country Exports (fob)	122,081	110,640	115,791	121,872
Total Country Imports (cif)	114,425	104,740	105,509	112,063
Trade Balance	7,656	5,900	10,282	9,809
U.S. Exports to T. (cif)	23,234	19,682	19,032	20,171
U.S. Imports from T. (fob)	29,552	29,386	30,118	31,077
Trade Balance with U.S.	6,318	9,704	11,086	10,906

Sources:

1. Ministry of Finance
2. Directorate General of Budget, Accounting and Statistics
3. AIT/T

Appendix D: Investment Statistics

Table 1
Foreign Investment Approvals by Year and by Area
(1952-1998) (unit: U.S. dollar million)

Year	Japan	U.S.A.	Hong Kong	Europe	Central America	Other	Total
------	-------	--------	-----------	--------	-----------------	-------	-------

52-89	2,983	3,067	1,198	1,312	341	2,049	10,950
1990	839	581	236	283	66	297	2,302
1991	535	612	129	165	60	277	1,778
1992	421	220	213	165	37	405	1,461
1993	278	235	169	214	38	279	1,213
1994	396	327	251	245	76	336	1,631
1995	573	1,304	147	338	151	412	2,925
1996	546	489	267	198	417	544	2,461
1997	854	491	237	401	659	1,625	4,267
1998	540	952	274	367	711	895	3,739
52-98	7,965	8,279	3,120	3,688	2,556	7,119	32,727

Source: Foreign Investment Commission

Table 2

**Foreign Investment Approvals by Industry and Area
(1952-1998)(unit: U.S. dollar million)**

Industry	Japan	U.S.A.	Hong Kong	Europe	Central America	Other	Total
-----	-----	-----	-----	-----	-----	-----	-----
Total	7,965	8,279	3,120	3,688	2,556	7,119	32,727
Electronics & Electrical	2,180	3,435	513	695	568	1,003	8,394
Chemicals	667	1,275	261	946	120	350	3,619
Banking & Insur	186	665	413	553	463	1,305	3,585
Services	907	635	392	258	168	942	3,302
Trade	815	425	307	250	118	381	2,296
Basic Metal & Products	646	333	121	122	113	819	2,154
Machinery	742	279	101	134	142	221	1,619
Food & Beverage	238	211	126	109	52	375	1,111
Wholesale & Retail	279	101	42	200	86	356	1,064
Transportation	47	62	129	4	3	616	861
Non-metallic Minerals	145	174	81	79	19	178	676
Others	1,113	684	634	338	704	573	4,046

Source: Foreign Investment Commission

Table 3

**Outward Investment Approvals by Year and by Area (1952-1998)
(unit: U.S. dollar million)**

Year	China	U.S.A.	ASEAN	British Territ. in Cent. America	Others	Total
-----	-----	-----	-----	-----	-----	-----
1952-89	n.a.	865	429	76	155	1,525
1990	n.a.	429	567	170	386	1,552
1991	174	298	720	268	370	1,830
1992	247	193	309	239	146	1,134
1993	3,168	529	434	194	504	4,829
1994	962	144	398	569	506	2,579
1995	1,093	248	326	370	413	2,450
1996	1,229	271	587	809	498	3,394

1997	4,334	547	641	1,051	655	7,228
1998	2,035	599	478	1,838	381	5,331
52-98	13,242	4,123	4,889	5,584	4,012	31,852

Source: Foreign Investment Commission

Notes:

(1) Statistics for 1993 include investments made prior to 1993 but not previously registered.

(2) Figures for 1997 include investments made prior to 1997 but not previously registered.

Table 4
Outward Investment Approvals by Industry and by Area
(1952-1997)(unit: U.S. dollar million)

Industry	PRC	U.S.A.	ASEAN	Central America	Other	Total
-----	-----	-----	-----	-----	-----	-----
Total	13,242	4,123	4,889	5,584	4,014	31,852
Banking & Insurance	25	851	404	4,067	1,309	6,656
Electronics	2,794	1,104	1,269	152	414	5,733
& Electrical						
Chemicals	863	780	420	34	488	2,585
Basic Metals	1,135	23	612	75	96	1,941
& Products						
Food & Beverage	1,178	162	219	0	68	1,627
Trade	117	184	54	581	610	1,546
Services	345	343	40	334	371	1,433
Textiles	753	34	496	12	136	1,431
Non-metallic	833	6	382	0	17	1,238
& Minerals						
Plastics Products	1,056	5	30	0	8	1,099
Others	4,143	631	963	329	497	6,563

Source: Foreign Investment Commission

Table 5
Technical Cooperation Projects by Year and by Area
(1952-1995)(unit: number of projects)

Year	Japan	U.S.A.	Europe	Others	Total
-----	-----	-----	-----	-----	-----
52-89	1,996	728	412	103	3,221
1990	106	54	30	10	200
1991	80	65	33	8	186
1992	193	50	19	10	175
1993	85	50	34	12	181
1994	70	39	24	6	139
1995	50	29	10	5	94
52-95	2,483	1,015	562	136	4,196

Source: Foreign Investment Commission

Note: Taiwan ceased to compile statistics on technical cooperation with foreign companies in 1996. Businesses have not been required to report technical cooperation projects to the FIC since the Statute for Technical Cooperation was abolished.

Table 6
Technical Cooperation Projects by Industry and by Area
(1952-1995)(unit: number of projects)

Industry	Japan	U.S.A.	Europe	Others	Total
-----	-----	-----	-----	-----	-----
Total	2,483	1,015	562	136	4,196
Electronics	708	416	106	16	1,246
& Electrical					
Chemicals	416	203	160	28	807
Machinery	368	68	97	9	542
Basic Metal	329	55	53	6	443
& Products					
Other Services	111	106	27	42	286
Rubber Products	131	32	21	4	188
Non-metallic	97	22	24	2	145
Minerals					
Food and Beverage	80	38	13	9	140
Textiles	47	21	8	2	78
Construction	38	5	10	4	57
Garment & Footwear	18	14	4	3	39
Paper Products	19	13	4	-	36
& Printing					
Transport Equipment	20	2	8	1	31
Others	101	20	27	10	149

Source: Foreign Investment Commission

Table 7
Selected Major U. S. Investors in Taiwan

U.S. Investors/Local Investments	Major Products
-----	-----
Ensite Limited (Ford Motor)/Ford Lio Ho Motor Co.	autos
Texas Instruments Inc./Texas Instruments Taiwan Ltd.	semiconductors
AMOCO Chemical Corp./China American Petrochemical Co.	petrochemicals
E.I. Dupont De Nemours/Dupont Taiwan Ltd.	industrial, electronic, agricultural goods
IBM Corp./IBM Taiwan Ltd.	computers: sales and services
AETNA Life Insurance Co./Taiwan Branch	insurance
GTE/Pacific Communications Services	mobile phone services
AT & T Inc./AT & T Communications Services Taiwan Inc.	telecommunication: sales and services
Far EastTone Telecommunications	mobile phone services
Warner Village Cinema Co./Warner Village Cinema (Taiwan) Co.	movie theater operation

United Parcel Service International Inc. (UPS)/UPS, Taiwan Branch	world wide express services
Xilinx Technology Inc./United Silicon Inc.	IC foundry
Intel Inc./InteX. Co.	ADSL chipset
Applied Materials Ltd./Applied Materials Taiwan Ltd.	semiconductor mfg. equipment

Table 8
Selected Major Japanese Investments in Taiwan

Japanese Investors/Local Investments -----	Major Products -----
Nissan Motor/Yulon Motor	autos
Toyota Motor/Kuozui Motor	autos
Matsushita Electronic Co./Matsushita Electronic (Taiwan) Co., Ltd.	electrical appliances
Hitachi Co./Taiwan Hitachi Co., Ltd./Kaohsiung Hitachi electronics Co., Ltd.	electrical appliances and components
Yamaha Motor Co., Ltd./Yamaha Motor Taiwan Co., Ltd.	motorcycles
Sankyo Co./Sankyo Co. Taipei	pharmaceuticals
Idemitsu Co./Shinkong Idemitsu Corp.	petrochemicals
Mitsui Co./Mitsui (Taiwan)	trading
Takashimaya Co./Ta-ya Takashimaya Dept. Store	department store
Sumitomo Co./Sumitomo (Taiwan)	trading
Toshiba Co./Toshiba Compressor (Taiwan)	compressors
Diamond Housing Co./Diamond Investment Co.	consulting
Sadagawa Steel Co./Sheng Yu Steel Co.	steel
Shin-Etsu Handotai Co./Shi-Etsu Handotai Taiwan Co.	semiconductors
Mitsubishi Electrical Co./Powerchip Semiconductor Corp.	DRAM production
Komatsu Co./Formosa Komatsu Silion Co.	silicon wafers

Table 9
Selected Major European Investments in Taiwan

European Investors/Local Investments -----	Major Products -----
Volkswagen Ag/Ching Chung Motor Co.	autos
Dresdner Bank Ag/Grand Cathay Securities	securities
Imperial Chemical Inc./ICI Taiwan Ltd.	chemicals
N.V. Philips/Philips Electronics (Taiwan)	electronics
SHV International Ag/Macro Taiwan Ltd.	food processing
Alcatel Co./Alcatel Taisel Co.	switch boards
Internallianz Bank, Zurich/Kwang Hwa Securities	securities
Horwood Investment/Chi Mei Industry Co.	petrochemicals
H.S. Development & Finance/ChinaTrust Commercial Bank	banking services
Siemens Ltd./Promos Technologies Inc. Promos Technologies Inc.	DRAM production
Siemens Telecommunications Systems Ltd.	switching systems and phone equipment

CHAPTER XI: U.S. AND COUNTRY CONTACTS

Appendix E: U.S. and Country Contacts

U.S. Trade Related Contacts

American Institute in Taiwan (AIT)

Commercial Section

Chief: Terry Cooke

Deputy Chief: Rosemary Gallant

Suite 3207, 333 Keelung Rd., Sec. 1, Taipei, Taiwan

Tel: 886-2-2720-1550, ext. 383, Fax: 886-2-2757-7162

Website: <http://ait.org.tw>

Agriculture Trade Office

Director: Stan Cohen

2nd Fl., 54 Nan Hai Road, Taipei Taiwan

Tel: 886-2-2337-6525, ext. 286

Fax: 886-2-2305-7073

Website: <http://ait.org.tw>

Economic Section

Chief: Marc Wall

Deputy Chief: Matthew Matthews

7, Lane 134, Hsin Yi Rd., Sec. 3, Taipei, Taiwan

Tel: 886-2-2709-2000, Fax: 886-2-2706-3023

Website: <http://ait.org.tw>

Washington-Based Country Contacts

AIT/Washington

Trade and Commercial Programs

Director: Rick Ruzicka

Suite 1700, 1700 N. Moore Street

Arlington, VA 22209

Tel: 703-525-8474, Fax: 703-841-1385

U.S. Department of Commerce

Taiwan Desk Officer

Laurette Newsom

Room 2327, 14th and Constitution Ave. NW

Washington, D.C. 20230

Tel: 202-482-4681, Fax: 202-482-4098

Website: <http://www.doc.gov>

Email: Laurette.Newsom@mail.doc.gov

U.S. Department of Commerce

US&FCS East Asia Pacific

Director: Carmine D'Aloisio

Room 1229, 14th and Constitution Ave. NW

Washington, D.C. 20230

Tel: 202-482-2429, Fax: 202-482-5179

Website: <http://www.doc.gov>

U.S. Department of Commerce

Trade Information Center

Room 7424, 14th and Constitution Ave. NW

Washington, D.C. 20230

Tel: 1-800-USA-TRADE

Website: <http://www.doc.gov>

U.S. Department of Agriculture

Foreign Agricultural Service

Trade Assistance and Promotion Office

South Building, 14th and Independent Ave. SW

Washington, D.C. 20250

Tel: 202-720-7420

Website: <http://www.fas.usda.gov>

AmCham and/or Bilateral Business Councils

American Chamber of Commerce

President: Paul Cassingham

Rm. 1012, 96 Chungshan N. Rd., Sec. 2, Taipei, Taiwan

Tel: 886-2-2581-7089, Fax: 886-2-2542-3376

Website: www.amcham.com.tw

China External Trade Development Council

Secretary-General: Ricky Y.S. Kao

3-8F, 333 Keelung Rd., Sec. 1, Taipei, Taiwan

Tel: 886-2-2725-5200, Fax: 886-2-2757-6653

Website: <http://tptaiwan.org.tw>

Trade or Industry Associations

Chinese National Association of Industry & Commerce

Chairman: Jeffrey Koo
13F, 390 Fuhsing S. Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2707-0111, Fax: 886-2-2701-7601

Chinese National Federation of Industries
Chairman: Kao Chin-yen
12F, 390 Fuhsing S. Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2703-3500, Fax: 886-2-2703-3982
Website: <http://www.industry.net.tw>
Email: cnfi@mail.cnfi.org.tw

Public Agencies

Ministry of Economic Affairs (MOEA)
Minister: Wang Chih-Kang
15 Foochow St., Taipei, Taiwan
Tel: 886-2-2321-8124, Fax: 886-2-2391-9398
Website: www.moea.gov.tw

Ministry of Finance (MOF)
Minister: Paul C. H. Chiu
2 Aikuo W. Rd., Taipei, Taiwan
Tel: 886-2-2322-8006, Fax: 886-2-2321-1205
Website: www.mof.gov.tw

Board of Foreign Trade (BOFT), MOEA
Director General: Chen Ruey-long
1 Hukou St., Taipei, Taiwan
Tel: 886-2-2321-0717, Fax: 886-2-2351-3603
Website: www.moeaboft.gov.tw
Email: boft@mail.moeaboft.gov.tw

Ministry of Transportation and Communications (MOTC)
Minister: Fong-Cheng Lin
2 Changsha St., Sec. 1, Taipei, Taiwan
Tel: 886-2-2349-2000, Fax: 886-2-2389-6009
Website: www.motc.gov.tw

Directorate General of Telecommunications, MOTC
Director General: Chien Jen-Ter
16 Chi-Nan Rd., Taipei, Taiwan
Tel: 886-2-2343-3953, Fax: 886-2-2343-3772
Website: www.dgt.gov.tw
Email: [window@dgt.gov.tw](mailto>window@dgt.gov.tw)

Council of Agriculture (COA), Executive Yuan
Chairman: Peng Tso-Kwei
37 Nanhai Rd., Taipei, Taiwan
Tel: 886-2-2311-9175, Fax: 886-2-2361-4397
Website: www.coa.gov.tw

Council for Economic Planning and Development (CEPD)
Chairman: Chiang Pin-kung
3, Paoching Rd., Taipei, Taiwan
Tel: 886-2-2316-5306, Fax: 886-2-2370-0403
Website: www.cepd.gov.tw

Department of Health (DOH), Executive Yuan

Director-General: Chan Chi-Shean M.D.
100 Aikuo E. Rd., Taipei, Taiwan
Tel: 886-2-2396-7166, Fax: 886-2-2341-8994
Website: www.doh.gov.tw

Environmental Protection Administration (EPA), Executive Yuan
Administrator: Hsung-hsiung Tsai
41 Chunghua Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2321-7888, Fax: 886-2-2371-9759
Website: www.epa.gov.tw

Market Research Firms (Partial Listing)

Dun & Bradstreet International Ltd., Taiwan Branch
General Manager: James B. Barnett
12F, 188 Nanking E. Rd., Sec. 5, Taipei, Taiwan
Tel: 886-2-2756-2922, Fax: 886-2-2749-1936
Website: www.dnbtw.com.tw

AC Nielsen
Managing Director: Titan Wang
12F, 188 Nanking E. Rd., Sec. 5, Taipei, Taiwan
Tel: 886-2-2756-8668, Fax: 886-2-2754-8883
Website: www.acnielsen.com.tw

Investec-Coopers Lybrand Consulting Ltd.
Managing Director: Michael McNabb
13F, No. 460, Hsin Yi road, Section 4, Taipei, Taiwan
Tel: 886-2-8780-6600, Fax: 886-8780-0088

Commercial Banks (Partial Listing)

American Express Bank, Ltd.
Senior Director & Gen. Mgr: Howard Law
3rd & 4th Fl, 214 Tunhwa N. Rd., Taipei, Taiwan
Tel: 886-2-2715-1581, Fax: 886-2-2713-0263

Citibank, N.A.
Vice President: Craig Walling
52 Minsheng E. Rd., Sec. 4, Taipei, Taiwan
Tel: 886-2-2715-5931, Fax: 886-2-2712-7388
Website: www.citibank.com.tw

Bank of Taiwan
Chairman: James C.T. Lo
120, Chungking S. Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2349-3456, Fax: 886-2-2331-5840
Website: www.bot.com.tw

International Commercial Bank of China
Chairman: James T.T. Yuan
100 Chilin Rd., Taipei, Taiwan
Tel: 886-2-2563-3156, Fax: 886-2-2561-1216
Website: www.icbc.com.tw
Email: service@icbc.com.tw

Other U.S. Government Contact Numbers

U.S. Department of Commerce
Multilateral Development Bank Operations
Office Director: Janet Thomas
14th and Constitution Ave. NW
Washington, D.C. 20007
Tel: 202-482-3399, Fax: 202-482-5179

Trade Policy Coordinating Committee
Trade Information Center
Tel: 1-800-USA-TRADE

U.S. Department of State
Office of Business Affairs
2201 C Street N.W.
Washington, D.C. 20520
Tel: 202-746-1625
Fax: 202-647-3953

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: 202-336-8799

CHAPTER XII: MARKET RESEARCH AND TRADE EVENTS

Appendix F: Market Research

List of FY'99 Industry Subsector Analysis (ISA)

01. Fitness Equipment
02. Steel Products Production Equipment
03. Buses
04. Bio Technology/Test Kits
05. Boilers
06. Water Pollution Control Equipment
07. Engineering Services: Design
08. Sports Rehabilitation Equipment
09. Virtual Private Network Services
10. Semiconductor Design Equipment
11. Diversification and Defense
12. Engineering Plastics
13. Industrial Waste Treatment Equipment
14. Systems Integration Services
15. Dietary Supplements

ISA Plan for FY 2000

01. Electrical Generating Equipment
02. Hotel Architectural Services
03. Electro-Diagnostic Apparatus
04. Wireless Customer Premises Equipment
05. Soil Remediation Equipment
06. Electronic Chemicals
07. Business to Business E0Commerce Software
08. Aircraft Parts & Maintenance
09. Bath & Sanitary Ware
10. Home Furnishings

11. Industrial Pumps
12. Ground Water Treatment Equipment
13. Fire-Proof Building Materials
14. Cosmetics
15. Digital Television Broadcast & Production Equipment
16. Petrochemical Production Machinery
17. Specialty Vehicles
18. Biotechnology: Medical
19. Computerization & IT Applications for the Financial Industry
20. Semiconductors

Note: A complete list of market research is available on the NTDB as planned in the FY 2000 CCG.

Appendix G: Trade Event Schedule

Event name: Taipei Int'l Travel Fair '99

Event date: Nov. 4-7, 1999

Industry theme: TRA

Type of event: USA Pavilion

Location: Taipei World Trade Center

Background of Participants: Destinations, service providers

U.S. Government Supported?: Yes

Event name: Taipei Int'l Medical Equipment & Pharmaceuticals Show (MEDIPHAR'99)

Event date: Nov. 11-14, 1999

Industry theme: MED, HCS, DRG

Type of event: USA Pavilion

Location: Taipei World Trade Center

Background of Participants: Manufacturers and agents

U.S. Government Supported?: Yes

Event name: Taipei Import Furniture Fair

Event date: May, 2000

Industry theme: FUR

Type of event: USA Pavilion

Location: Taipei (venue to be determined)

Background of Participants: Manufacturers, sales agents

U.S. Government Supported?: Yes

Event name: Housewares Catalog Show

Event date: June, 2000

Industry theme: GCG

Type of event: PLC (product literature center)

Location: Taipei (venue to be determined)

Background of Participants: Manufacturers, sales agents

U.S. Government Supported?: Yes

Event name: Computex Taipei 2000

Event date: June, 2000

Industry theme: CPT (computers & peripherals)

Type of event: TFO (Trade Fair Overseas Procured)-USA Pavilion

Location: Taipei World Trade Center

Background of Participants: Manufacturers and sales agents

U.S. Government Supported?: Tentative yes

Event name: International Software Show

Event date: July, 2000

Industry theme: CSF
Type of event: USA Pavilion
Location: Taipei (venue to be determined)
Background of Participants: Manufacturers, sales agents
U.S. Government Supported?: Tentative yes

Event name: America Week 2000
Event date: July 2000
Industry theme: APP, GCG, HCG (household and consumer goods, food products)
Type of event: PIP (post-initiated promotion)
Location: department stores throughout Taiwan
Background of Participants: Exporters of household and consumer goods
U.S. Government Supported?: Yes

Event name: Semicon Taiwan
Event date: August, 2000 (tentative)
Industry theme: ELC
Type of event: USA Pavilion
Location: Taipei World Trade Center
Background of Participants: Manufacturers, sales agents
U.S. Government Supported?: Tentative yes

Event name: Multi-State Catalog Exhibition - Kaohsiung
Event date: September, 2000
Industry theme: OTR (Miscellaneous)
Type of event: PLC (Product Literature Center)
Location: Taipei World Trade Center, Kaohsiung (tentative)
Background of Participants: Manufacturers, sales agents
U.S. Government Supported?: Yes

Event name: Taipei Retail Management Seminar
Event date: September, 2000
Industry theme: GSV, FNS, EDS
Type of event: SEM (Seminar)
Location: Taipei (venue to be determined)
Background of Participants: Retail service providers, consultants
U.S. Government Supported?: Yes

Other Significant Events of Interest to U.S. Companies

Event name: Taipei American Education Fair
Event date: October 15-16, 1999
Industry theme: EDS
Type of event: TFO (Trade Fair Overseas Procured)
Location: Taipei Lai Lai Sheraton Hotel
Background of Participants: U.S. Universities and Education Firms

Event name: Kaohsiung American Education Fair
Event date: October 17-18, 1999
Industry theme: EDS
Type of event: TFO (Trade Fair Overseas Procured)
Location: Kaohsiung
Background of Participants: U.S. Universities and Education Firms

Event name: Taipei International Book Exhibition
Event date: February, 2000
Industry theme: BOK
Type of event: USA Pavilion

Location: Taipei World Trade Center
Background of Participants: Publishers, sales agents

Event name: Specialty Chemicals USA Catalog Show
Event date: March, 2000
Industry theme: ICH
Type of event: PLC (product literature center)
Location: Taipei (venue to be determined)
Background of Participants: Manufacturers, sales agents

Event name: Taipei American Education Fair
Event date: March, 2000 (tentative)
Industry theme: EDS
Type of event: TFO (Trade Fair Overseas Procured)
Location: Taipei Lai Lai Sheraton Hotel
Background of Participants: U.S. Universities and Education Firms

Event name: Kaohsiung American Education Spring Fair
Event date: March, 2000 (tentative)
Industry theme: EDS
Type of event: TFO (Trade Fair Overseas Procured)
Location: Kaohsiung
Background of Participants: U.S. Universities and Education Firms

For other major exhibitions held at the Taipei World Trade Center, contact the
China External Trade Development Council at 886-2-2725-1111 or visit
www.taipeitradeshows.cetra.org.tw.